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Ammonia-urea plant shapes up as a disaster on all fronts

by Belinda Gillespie

THE Petrocorp ammonia-urea project is shaping up as a financial, agricultural and environmental disaster.

The ammonia-urea plant was discussed at a Cabinet economic committee meeting on March 20, chaired by Brian Talboys. Rob Muldoon was among the senior Cabinet ministers present.

The committee was told that because the plant had already been bought, it had no choice but to approve the proposals before it. Conservative price assumptions used in the cost-benefit analysis projected no more than an "acceptable" rate of return.

Among drawbacks put to the committee, was that urea spreading increases the nitrate level in subterranean water supplies and contaminates them.

Petrocorp had not applied for a water discharge right, the committee was told and any "undue delay" in this matter could hold up the whole project.

Presented with a fait accompli, the economic committee approved Petrocorp's expenditure of $69.89 million on the ammonia-urea complex at Kapuni, "primarily to supply the domestic market for nitrogen-based fertiliser".

Significantly, no mention was made of the overseas market for urea, which is non-existent and likely to remain so for the projected 15 year life of the plant.

In the April 6 report Nitrogenous fertilisers and the environment, Environment Commissioner Ian Baumgart has thrown further doubt on the urea plan by expressing reservations on possible increases in the uses of nitrogenous fertilisers.

Nevertheless, having approved the construction of a plant of dubious value, the economic committee is faced with the job of finding the money.

Committee members agreed 40 per cent of the capital cost of the project—roughly $30 million—should be financed through equity capital.

The Ministers of Energy and Finance were authorised to approve an increase in the capital of Petrocorp by 30 million $1 ordinary shares, and to pay for the shares to facilitate the equity contribution.

Petrocorp must find the remaining 60 per cent from sources outside the Public Account. If it cannot raise debt finance on its own, the Government will guarantee it, at a charge. This would be subject to the right of raising some money offshore, and to the right of approving the final package.

The committee did not look into the financing of the infrastructure at Kapuni, which has been estimated at a further $60 million.

It is now clear that the urea plant deal is a political device to mop up embarrassing surplus energy.

The initial decision was made prematurely and without consulting soil and grasslands experts. The result is that Petrocorp must raise a large sum of money for a project with little appeal for investors.

The Government guarantee suggests that another expensive foreign loan will be the only way of financing the venture.

NBR was told that agricultural scientists were not consulted before the plant was bought. Only now have research projects on the credibility of replacing phosphates with nitrogen fertilisers begun.

The politicians who want to sell Maui gas have set off a flurry of new grasslands research. The thrust previously has been toward getting the greatest amount of food out of grass and clover. The direction has changed toward finding plants which respond well to nitrogen fertilisers.

Market research on which the purchase of the plant was based remains confidential to the Natural Gas Corporation. But earlier statements by general manager Ronald O'Callahan point to the company pinning its hopes on increased consumption of urea by both agriculture and industry when the local product became available.

Professor Walker, a Lincoln College soil expert, said it would be "completely unjustifiable" to stimulate the demand for urea on grass. The recent report on nitrogenous fertilisers concludes that a "profligate use" could have deleterious effects, particularly on the quality of ground waters.

In the light of the experts' concern, O'Callahan has modified his stance. He told NBR that the plant was designed only for existing use in grasslands, and was not intended to "revolutionise the clover fixing cycle".

Growth is expected in the use of urea in the industrial production of resins, in horticulture and in forestry.

Although unwilling to give a figure for the expected industrial use of urea, O'Callahan predicted that the plant would reach full production by the end of its 15 year life. He would not comment on the financial arrangements for the purchase of the plant.

RONALD O'CALLAHAN . . . pinned hopes on increased consumption.

IAN BAUMGART . . . throws further doubt.

Molly Melhuish, energy researcher for ECO, points out that industrial use of urea here is small and unlikely to grow much. Any land use—whether in grasslands, forestry or horticulture—is potentially hazardous for water quality.

And Baumgart's report says: "Above certain levels, nitrate in drinking water involves health hazards to livestock and humans—it is significant that in New Zealand in several areas of intensive production nitrates in groundwaters are above this limit."

At full production, the Kapuni plant will produce about four times the amount of nitrogenous fertiliser now used in New Zealand. O'Callahan "accepts the environmental reaction" and sees the plant as offering potential for "needed research".

But clearly, there will be a lot of spare urea around in 15 years if land use is not stimulated to an extent which may be hazardous for the water in what Baumgart calls "sensitive areas", where nitrates are already high.

Further criticism seems inevitable when the Commission for the Environment releases its "environmental appraisal" of the Kapuni Plant. Under the 1977 Town and Country Planning Act, the Government bypassed the usual requirement to have a full environmental impact report prepared.

The Ministry of Works and Development, however, called for an independent report to support the proposed changes in the Kapuni district scheme.

An environmental assessment was included in the planning report. At a late stage, the Commission for the Environment was invited to appraise this, and will publish its deliberations in a form intended to give guidance on environmental aspects to both the public and the county council.

The scheme itself will be advertised by the Waimate West County Council within the next weeks, and will be open to objections for the following two months.

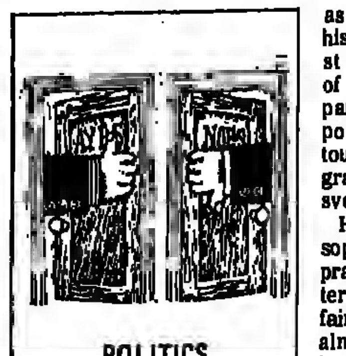
Informed sources suggest that the Government is going to chase its own tail when and if the Commission for the Environment uses its legal right "to object within the Crown case".

The commission may wish to test the Act, which is considered not broad enough to accommodate schemes such as Kapuni, with national as well as local implications.

Inside:

George Chapman: tantalising mixture of a man

by Colin James



A CHANGE has stolen over the activist grassroots in tha National Party in and around Wellington. They've been rediscovering "private enterprise" end "individusi initiative".

Remita coming out of the branch annual meetings for the divisional conference nsxt month have been notable for:

- Emphasis on the theme of getting the Government out of the ordinary citizen's life;
- A near absence of calls for Government ald, regulation and intervention.

Sometimee in the past the National Perty hss sounded not ton distant from tha Labour Party in its demands for the Government to do this and that.

This year, I am told, there is a strong feeling in the party that the Government has been dolog rather too much of this and that. The party wants a new order.

The problem is: how can this be communiceted to the Government?

That question is at the crux of the Chapman affair.

George Chapmao defies categorisstion. He is unique in Naw Zealand politics, s tantellsing mixture of the etraightforward and the artfully complex.

No one of a wholly Machiavelllan charecter would hsve challenged for the presidency in 1971. Such things were not done then; they were coneidered an affront to the leedership, a passport to oblivion.

It took coneiderable courage or naivety to enter the contest as an outsider. Though later his challengs was vindicated, st the time it was more an act of faith (in the party as the parliamentarians' source of power and es policy touchstons) than part of s grand dssign for his own sventual eminence.

He is not a eocial sophieticete. A self-made practiser of the privete enterprise philosophy, he lives fairly simply, with s tinge almost of ssceticism (though he enjoys s bet on the races). His house is not palatial, his car a step down from the Jaguar class.

He is no cheerful bundle of bonhomie. When the rest of the executive or council goes off to the St George Hotel in Wellington for a drink after a meeting, he goes home.

He takes time to get to know. There are long-time party colleagues who have not been to his home.

He has one of the emptiest laughe I have heard, neither malicious nor mirthful. Hla appeerance, desplte some mellowing in recent years, is that of an icy technocrat — close-cropped hair, wallpaper suits, unbending mennsrisms.

Yet there is something disarmingly charming about ths man. He loves politics without apology or cynicism — with s boyish single-mindedness that I, for onc, enjoy.

It ts this enthusinsm probsbly which carried him elong with the smutty tactics of the 1975 election campaign that his personal moral strictness might otherwise hsve abhorred.

It is an enthuslasm more in the organisstional than the pollcy sense. Chortered sccountants sre not usuolly seminal thinkers end he is no exception.

But he rccogniscs snd encoureges creative thought. Much of the freeing up of discuseion within the party organisetion — of the assertiveness of office-holders at various lavels — is due to his influence.

The dominion council is many years younger on average than it was when he took offlce. And it has, to a degree thot is astonishing in a conservative party, exehsnged deference to the leadership for outspoken adherence to what it believes the party should stand for.

Its Chapman-inspired public injunction earlier this month of the Government to give expression to the party's fundamental principles was extraordinary. The council has ticked off the leadership at times — but in private, not in blazing publicity. That is a Chapman innovation.

So was he manipulating the council for arcane ends of his own devising? What was he playing at in that six-week cliffhanger while he decided his future?

On the best authority I have, he was genuine in his wish to retire and he had genuinely found the office burdensome in time and money.

So far, the straightforward Chapman. But there is more to it.

He was at least confirmed in his wish by a disenchantment with the Government's apparent unwillingness to listen to the party organisation.

Some people close to him say that was the principal reason. Chapman's public stance has been that there is no conflict between him and the leadership, but there were unmistakable hints of strain in the relationship in his comments to the news media after the council meeting.

Examples: his assertion of the president's right to attend caucus meetings; his acknowledgment of the unusualness of making public the speech on private enterprise and individual initiative which cued the council's own statement; his blunt assertion that the party organisation had saved the Government in last year's election.

Other hints have been made privatcly to party members and journolista. Enter tha artfully complex Chapman.

So, when hc confirmad publicly an NBR item that he was "reviewing" his position, kremlinologists in Wellington began putting two and two together and getting a variety of answers.

The news media, mysalf includad, could not be aure how to read it. Thore wna e strong temptation to leave tbe issue alone. Most treated it perfunctorily, despite gentle suggestions by party staff that it might be followed up.

Chapman was suspectad of engaging in a tactical manoeuvre.

Those suspicions linger. Whether what happened between the breaking of the story end the council meeting at which he said he would stay was that Chapman succumbed to the pressure from the party and business circles to stay, or that he seized on the opportunity to put pressure on a seemingly paralytic caucus is, to me at least, a moot point.

In the event, by delaying until the last possible moment the announcement of his decision to stay, he kept the emotional tension high and wrung from the council the maximum possible backing for the Government to mend its ways.

This was the parliamentary party, whose members swim among the masses of ordinary members.

They came to the meeting with the long refrain of the branches' desire for change ringing in their ears. They heard from an intransigent Prime Minister a flat chord that was badly out of harmony with that refrain.

But they got the harmonious chorus on the second day. Derek Quigley, the new Minister of Housing and one of the tougher customers in the Cabinet, gave them a few bars of the private enterprise", "individual effort" song they wanted to hear.

Quigley seems to have had an electric effect on the council, all the more since he delivered his message in forthright terms with the Prime Minister sitting some metres away from him on the platform.

At the end of it all they went off home buzzing, puzzled, relieved and hopeful. Relieved and hopeful because Chapman was staying but puzzled as to what he had been up to.

Had he just been using the all in some subtle power play?

The evidence suggests that Chapman will undoubtedly use the council's categorical backing of him and the private enterprise line to impress on the caucus — or at least the impressionable members — the need for drastic and early change (though with no assurance of success).

But he does not appear, from what I have been able to gather, to have any grand plan of action — to get rid of the Prime Minister, for instance, or to force him into a political corner.

He seems, rather, to have offered the party time to lick its wounds so that the defections that threatening may be stalled.

Will he then go at the end of the next 12 months, as he was at pains to hint in his press conference (and which is the more logical right now)?

Or will we yet see him in harness for the 1981 campaign, perhaps even in tandem with Robert Muldoon? Chapman you cannot be absolutely sure which. And that is fascinating.


GEORGE CHAPMAN . . . an icy technocrat with close-cropped hair, wallpaper suits and unbending mannerisms.

Nafta: State and producers play pass the buck

Special Correspondent

"I'LL be very surprised if nothing comes out of this meeting; there's a real feeling that it's time something was done."

That comment from a senior source in manufacturing circles clearly summed up the hopes of a confused industrial sector about last week's annuel Nafta meeting of ministers and olficials, this time in Wellington.

New Zealand manufacturers were looklog for official thinking and guidance in areas including:

- Official commitment to the agreement;
- Tha Australian ettitude (both private and official);
- The results of a top-line investigation into constructive moves to make Nafta more workable and to give it impetus to becoma a viable, long-term relationship for trade expansion.

By now our source will know the result of last week's meeting. He'll be surprised, disappointed and upset, as will many other manufacturere looking for clear guldance from the officials and their bosses.

The formal communique was bland and evasive. Perhaps not surprising, given its official ovsrtones, but it hardly reflects the urgent need for New Zealand companies to have an undsrstanding of tha political and bursaucratic background and thinking on trans-Tasman trade, now worth $1000 million a year.

The meeting is virtually summarised undar the heading "Future of Nafta": "Minletera confirmed their view of the real worth of Nafta in promoting the expansion of trade between tha two countries. They recognised, however (note the 'however') that the world trading outlook in the post MTN (multilateral trade negotiations) era will be quite different from that at the time the Nafta came into being.

"Accordingly, Ministers agreed that the institutional framework of Nafte in today's circumstances is ilmited and we look forward to the newly formed Austrelia-New Zealand Busineesmen's Council and othera to probe and etudy how commercial activity between our two countries can be further extended."

That atatement reflects the heavy hand of the Australians. There is no doubt that the Australinns ore the big brothers of the agreement and they are playing that line for all it is worth these dnys.

Even Trade and Industry Minister Adams-Schneider recognised this in a pre-meetlag interview. He waa asked what the future goal would be for Noftn. His reply: "Ask that question when the final communique comes out . . . and ask the Australians first."

And in a speech to the Manufacturers Federation last month, he noted: "But it is clear, I believe, that if we are to make progress with Nefta to mutual advantage, we must show that we are oware of Australia's concerns and demonstrate a willingness to overcome them when it is possible for us to do so."

These statements by Adams-Schneider reflect an awareness of reality that has been notably lacking in official circles in recent yeara.

And, to a certain extent, it is easy to sympathise with the Minister. The manufacturars hava long been moaning publicly about the problems of Nafta, the Australians, the high cost of trans-Tasman shipping and anything else that even remotely has some bearing on the scene.

Hence the Minister's worning to get their own house in order, a message that wos repeated in the official communique.

But, equally, the climate for successful growth in trode does need guideline-setting by the Governments of both countries. The effects of unemployment, rationalisation and factory closure are in many ways politicel probleme and have a wider impact on the general economy of a nation.

Thus, the whole question of Nafta becomes a chicken-and-egg situetion. Who makes the first movee?

The manufacturers think it should be the Ministers. And the Ministers want to pass the buck back to the manufacturers.

While that debate has been going on in New Zeeland, tha Australians have been making their own moves and pronouncements — all of which spell trouble for New Zealand companies.

Australian calls for sbolishment of import licensing arc hecoming more insistent and harder to reject. Indeed, many people see the removal of category B price control as but the first step in o carefully-planned Government move to dump the import licensing system.

More indirectly, and perhaps of more concern to New Zealand in the long-term, are the implications of closer Australian involvament in Asia.

The Australians have a mountain of minerels to sell and Asia, with ita rapidly-growing industrial sectors and cheaper labour, offers ready markets for them. But whot happens when the Aslens then want to eell their own mountains of producte manufactured from Australian raw materiala?

Obviously, Australia offers e rich marketplace for them and it will be remarkable if we do not see 'minerals-for-manufactures' deals becoming commonplace.

That, of course, leaves New Zealend dangerously close to being left out in the cold.

Thus, the Australian attitude toward New Zealand and Nsfte is likely to become less and less patient and companies planning major expansions in the Australian market under Nafta arrangements are probably hiding their heads in the sand, at least os far ee long-term planning is concerned.

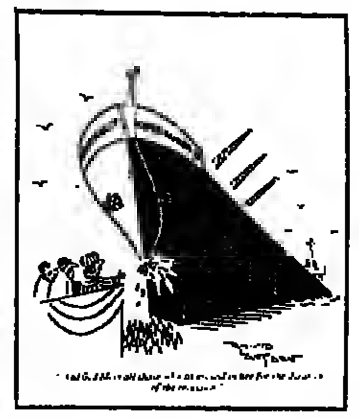
That does not preclude the vslue of Nefta to both countries; many companies on both sides of the Tasman have profited from the agreement and there will obviously remain some type of management.

But the days of Nafta as e platform for growing trade are numbered.

What seems more likely in future is a closer economic relationship that in some way ties the Australians to us. An example here is a Common Market type arrangement.

But the initiatives will have to come from New Zeeland. While the Australiens era concentrating on currying favour and mineral sales with the Aseen states and other Asian nations, they will herdly put us on top of the "In tray".

And that comes back to our eorlier chicken-and-egg situation. Who ie going to formulata new proposals — Government or manufacturers? Or, more reelistically, who is going to shy away from the job?



Emmigration boom lifts lid

by John Draper

THE Government's sinking lid on the state service hae been lifted to cope — of all things — with the emigration boom.

Passport office staff have been working long hours in a vain attempt to keep up with the Kiwi's rush to quit Godzone.

Postal applications which were taking only a week to return in January are now taking up to five weeks to be processed.

After battling for several years with the State Services Commission for more staff, the passport office has finally won its case despite the Government's policy of not replacing public servants.

So many staff apparently have left while few have bothered to apply for the job.

Three edvertisements drew around half a dozen applicants for the eight new positions nationwide, (at a salary around $7000.)

EDITORIAL

At a recent press conference, Prime Minister Muldoon was questioned about leasing TV facilities to private enterprise. No, the Government hadn't thought about it, he replied. But the question apparently put the idea into his mind, because just three weeks later he declared that leasing weekend time on TV2 was worth considering.

Indeed, it is. The main broadcasting problem is extending TV2 to cover the whole country. It has about 5 per cent of the way to go (at enormous capital cost), and leasing won't solve that problem. There would be a programme-buying problem. The leasing company would have to join the pool system, making a three-way split. Otherwise it would try to outbid the state channels for overseas programmes, pushing up the price (and our overseas spending). Leasing to private enterprise inevitably would mean TV advertising on Sundays (a long-time taboo for the State system). And if the leasing company was to provide news, journalists would be needed — but only at weekends.

If leasing is in order, why not lease production facilities at nights and weekends to independent producers for making programmes with local talent for sale to the State channels?

On the other hand, if Muldoon wants to cut costs, he could slash local production and run nothing but old overseas movies. Anyone can make money running a TV station, by lowering standards and going for mass audiences. The hard reality which he won't face is that no one can expect a broadcasting group to provide 100 per cent two-channel coverage over New Zealand's terrain, to maintain a reasonable level of local production, and to make instant profits, all out of revenue. If TV2 was set up just to make money, it wouldn't put in uneconomic transmission links. That is being done because the Government wants it done.

The BCNZ's capital development for three years from the end of the 1979-80 year is estimated at $27 million. The programme includes extending TV2 coverage to the west coasts of both islands, to the far north, to the East Cape and to Central Otago. But Government MPs are said to be concerned at having to explain to their electorates why television fees will be going up without a commensurate lift in programme quality. This suggests an appalling ignorance of the capital costs involved in servicing their constituents.

Simply, these politicians cannot accept that broadcasting is in trouble because the economy is in trouble.

This week, NBR concludes a two-part series on broadcasting which exposes weaknesses in the system. But these are matters for prudent management to correct, and scarcely justify further restructuring.

The most critical problem is to resolve the nature of the relationship between corporation and politicians. Public corporations should not be obliged to respond directly to Government. Chairmen and board members might be appointed by Ministers, but they should be assured of managerial independence. They should be experts concerned with commercial success, not civil servants carrying out the public interest as interpreted by Government policy.

The conflict between the BCNZ's operation as a public service in the national interest and as a commercial concern is exacerbated by the failure to draw a clear demarcation line between the two, or to determine in whom responsibility should be vested for defining the extent to which the public interest should be made a first priority. An intolerable confusion and increasing encroachment by Government on the managerial and financial prerogatives of the corporation has resulted from the failure to resolve this conflict.

The BCNZ must accept Government interference and yield to political demands to serve the public interest, even when it is contrary to commercial requirements. As a result, it is blamed on the one hand for failing to provide the services required, and on the other for failing to fulfill its commercial obligations or to finance adequately its capital investment out of surplus. Thus it is expected to achieve the impossible.

Bob Edlin

WE wondered aloud in NBR March 21 whether other people as actively prominent in political party circles as George Chapman have held similarly sensitive directorships.

A reader tells us that the late D J Ewart, Dominion treasurer of the National Party, was a member of the BNZ Board while in office and that Charles Bennett was a member of the Berry Board while president of the Labour Party.

We would still argue that there is a significant difference given Chapman's high political profile and obvious clout and the particular directorships he holds.

Not altogether surprisingly Chapman doesn't agree. In a comment made at a news conference after the recent Dominion Council meeting of the National Party Chapman said he would consider offers of new directorships.

"Directorships and the presidency of the National Party are entirely compatible," he commented.

Well, that's a point of view. So was the one about 1975-78 being remembered as the years of the Muldoon economic miracle.

●

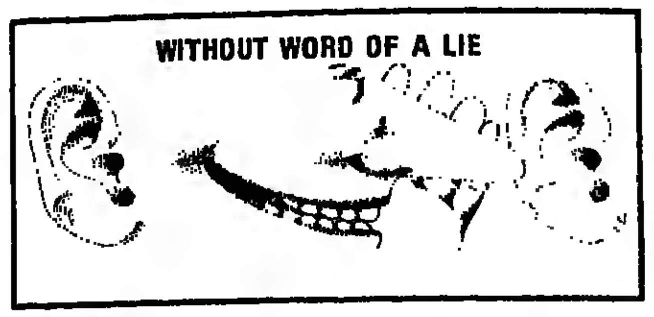
TNL Group Ltd continues to press its case in support of a jetfoil operation across Cook Strait.

Among points made in a preliminary report of a study carried out by the Nelson-based company: A new Cook Strait ferry, to carry passengers and freight, will cost about $18 million by 1981; An Arahanga type vessel carrying only freight and private cars will be six million dollars cheaper — about $12 million.

This saving in capital costs and overseas funds strikes a blow in favour of restructuring the ferry service and introducing a jetfoil operation to carry passengers only, TNL argues.

It says that over the next 10 years, capital savings of $12 million mainly in overseas

WITHOUT WORD OF A LIE



funds, would be made if the two new ships proposed for the service were the Arahanga type of cargo and car vessel only, instead of also providing passenger accommodation. As well as reduced capital outlay, savings of about $2 million a year would be made in running costs, the report claims.

Not having to provide passenger accommodation would give increased cargo space, increasing the profitability of the vessels and allow the existing fleet to cope with a growth in freight for a longer period before another additional ship is required to handle the traffic.

The jetfoil would cross the strait faster and in greater comfort while the ferries would move goods more efficiently at potentially lower freight rates and with greater flexibility of sailing schedules, says the report.

Thus taking passengers on a jetfoil service and leaving the ships to handle freight and private cars, along with their passengers, would make for a more efficient and more economical all-round service.

Another strike in favour of the TNL plan which the report hasn't noted: McLachlan has already vetoed the Railways' proposal to make the ferry service faster and more efficient by moving the South Island terminal further round the Marlborough coast, closer to Christchurch.

So you thought the Minister acted to preserve the threatened interests of a few hundred people living in Picton? Maybe he has heeded his party president's call for a greater demonstration by Government that it believes in private enterprise and he is setting the scene for eventual implementation of the TNL idea. Or is that sort of thing too Machiavellian for a man like McLachlan?

●

Ninety eight years-old, established, unspectacular, but asset rich, John Burns and Co Ltd was a prime target for a takeover bid.

John Burns' assets total more than $18.8 million. Its 2,588,688 ordinary shares reached a low on the stock exchange of $1.10 per $1 share.

This situation left the company wide open to any corporate raider with a penchant for asset stripping.

Ron Brierley's Engineering Holdings Limited made a takeover bid with an offer of $1.70 per share for all the ordinary shares.

The other day John Burns directors wrote to their shareholders telling them in so many words if there was to be any asset stripping they would do it themselves and hand the profits over to shareholders. Brierley got a firm "no" to his offer.

The Burns directors offered shareholders $1.75 per share in tax free cash over the next 21 months and promised 12.5 cent dividends for the 1980 and '81 years.

This offer not only beat the Brierley offer by 5 cents but left the shareholders holding their shares in an operating company, sort of like selling spare parts from the company vehicle and winding up with a car that still goes.

The directors' counter offer proposed a 50 cents tax free dividend on 2 July 1979, a 50 cents tax free capital reduction on 31 March 1980, and a 75 cents tax free payment on 31 December 1980. In the end shareholders would still [illegible] 50 cent share with [illegible] backing of over $2 the [illegible]tors pointed out.

John Burns chairman, [illegible] Brabant claimed that Brie[illegible] was trying to pre-emp[illegible] company's reconstru[illegible] plans which were alre[illegible] underway before the take[illegible] bid. These plans included [illegible] sale of surplus real estat[illegible] the elimination of unecon[illegible] activities. The company w[illegible] also write land and build[illegible] up to valuation in its [illegible] accounts, Brabant said.

News of John Burns pla[illegible] rejection of the Brierley [illegible] leaked out in Auckland be[illegible] the letter was sen[illegible] shareholders. Share pri[illegible] went from $1.81 to $1.90 the [illegible] before the letter was sen[illegible]

Despite the knock[illegible] Brierley must be laughing [illegible] the way to the bank. It is [illegible]derstood he owns 17 per cen[illegible] the Burns shares. Burn[illegible] giving back $4.5 million — [illegible] Brierley will get his share [illegible]

Shares reached $2.3[illegible] week, too, earning Brierl[illegible] hefty capital gain.

●

CHIEF Ombudsman Gu[illegible] Laking has received [illegible] thanks for his self-init[illegible] investigation into the ba[illegible] of the Susanne Teipel [illegible]

Immigration Unde[illegible] secretary Aussie Malc[illegible] whose department was u[illegible] scrutiny was specially en[illegible] when Laking said Miss Te[illegible] should have been give[illegible] chance to tell her side of [illegible] sorry tale.

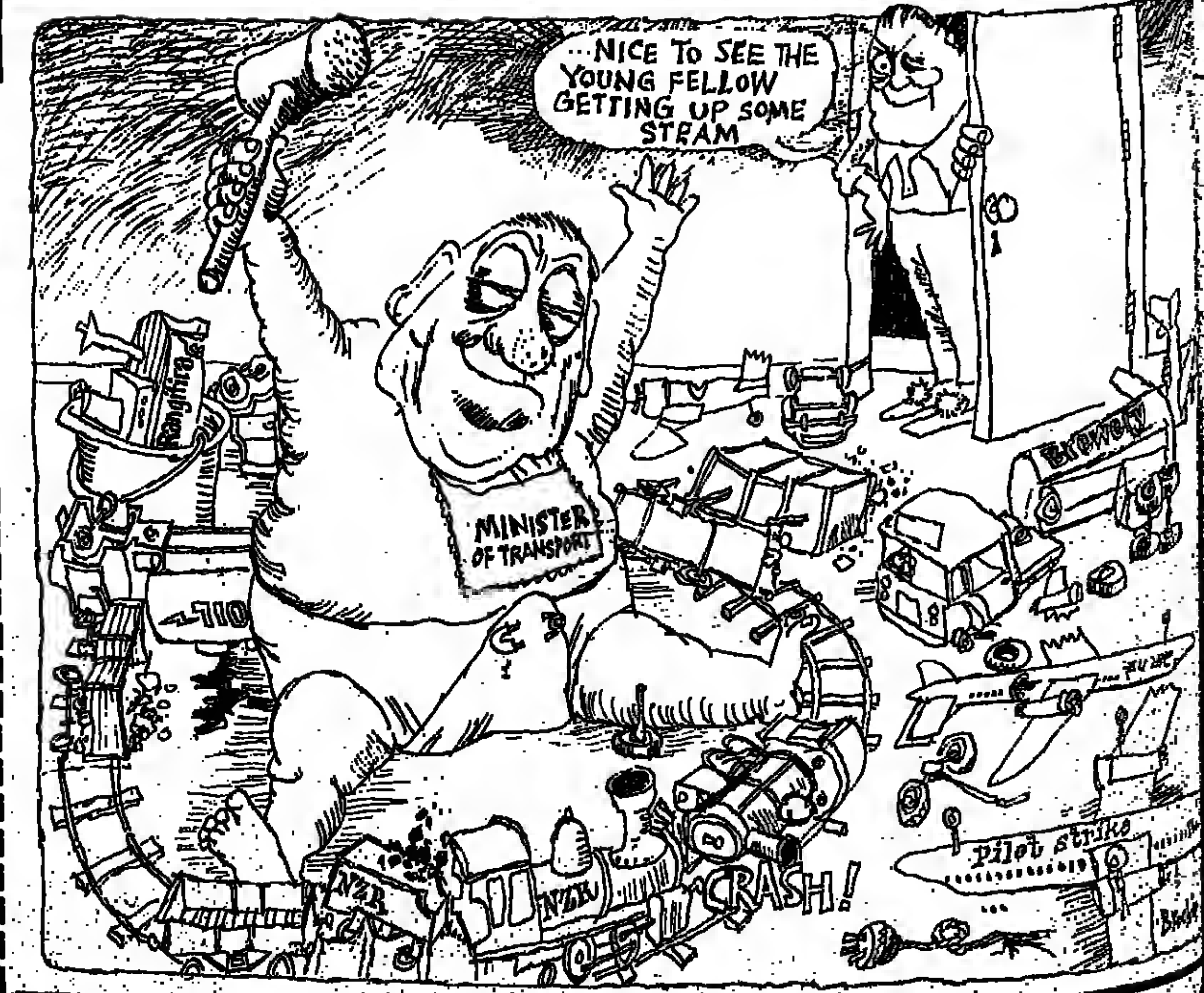
"I do feel the Ombudsman [illegible] obliged to get his facts [illegible] before he publishes a rep[illegible]" Malcolm sniped as he p[illegible] out that Miss Teipel [illegible] already been interviewed [illegible] Immigration officers [illegible] Hamilton.

But in the next breath [illegible] said:

"It is not my responsib[illegible] to supply the Ombudsman [illegible] all the facts when [illegible] department is being [illegible]vestigated."

Keep an eye on him. [illegible] He has the makings of a [illegible] Cabinet Minister.

BROCKIE'S VIEW



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THE April issue of Communicator, published by Network Communications Limited, discusses the New Zealand problem of over-regulation.

An article complains that much Government action has little effect in terms of the national interest, but major impact on the successful operation of specific businesses. Examples: the introduction of hubodometers, the 10 per cent travel tax, the oil levy, the MRP scheme, and "the myriads of strange interpretations relating to customs duties."

That's the entree to the idea that the prudent businessman should hire a good public relations firm to keep him informed on matters of mutual concern. PR firms "are likely to have wider knowledge of the way that governments operate, of how departments are organised, and of the channels available for the two-way flow of information."

It's all been said before, of course, so the article might be considered rather bo-humm. But the accompanying illustration takes it out of the bo-hum class and raises it to a higher plain.

The caption: "Select committees like this one where many vital decisions concerning businessmen are made. Is your voice being heard?"

●

DEMOCRACY is an unruly beast for those who depend on it for their status and position. At the National Party's dominion council meeting earlier this month, former Waikato divisional chairman Ross Jansen suggested that there was something wrong with the style of the party.

He went on to suggest that the time had come for the burden of electing party leaders to be shared by the parliamentary caucus with the dominion council.

The incumbent, sitting on the platform, was apparently not amused.

●

FURTHER on the subject . . . It doubtless needs no saying that there's good PR and bad PR.

For our part, we consider it less than satisfactory PR when we pay 8 cents for deficient postage on mail that turns out to be a handout telling us that the public relations programme for the 1978 World Rowing Championships won the Cherrington Memorial Award for the most outstanding public relations achievement of the year for an Auckland consultancy.

Not only did we smart at the payout to the PO; we had read the news in our local daily some days earlier. And whoever released the handout was prudent enough to leave no identifying traces. Its authorship remains a mystery.

●

TALKING about the PR firm serving as link between government and business world, it's appropriate to note that in some instances the PR profession not only provides an information flow between business and government; sometimes it also provides the very essence of over-regulation, the legislator himself. Health Minister Gair, for example.

But it's good to see that PR's provision of personnel for Parliament's Legislative Chamber isn't just a one-way process. The Legislature can also turn out PR men . . . or rather, the electorate can turn out PR men from the Legislature.

And so it is that Bill Lambert, former member for Western Hutt, is alive and well and working for Extra Media Services where his boss is Fred Dobbs, a good mate of his old boss, Rob Muldoon.

Last week found Bill advising us of some of the activities of that very interesting company, the Lockheed Corporation (which has developed a special flair for maintaining good relations with governments).

And assuming that you're fascinated by the latest goings-on at Lockheed, we can pass on Bill's news that they've appointed one Dr Edgar Cartwright as chairman of Lockheed-California.

●

DICK RYAN, executive director of the Commission for the Future, says the commission "can't afford to get involved in the present". But it can afford $100,000 for three television "drama documentaries" planned for next year.

Last year the commission's budget was $233,000, so the films will cut quite a slice off the future's cake. So far the team of 10 experts from various fields, and the small permanent staff of directors, two investigating officers and a secretary, have generated a lot of paper. Another function has been to provide a new source of speakers for those who organise the same old conferences year after year, and want to hear something different.

But the commission can hardly be said to have captured the public imagination in the way that it considers essential for its success.

Perhaps the major television programme, now awaiting final budget approval, will succeed where pamphlets, workshops, kitsets and games for fourth-formers have made little impact in convincing ordinary Kiwis that the CFF allows them "a direct line to policy making for the long-term future".

The films will follow on from a five-booklet study to be published by the CFF this year. Described by one reader as "turgid prose, stiff with references and incapable of mass consumption", the films will popularise the booklet material.

Ryan says the documentaries will depict alternative futures for New Zealand, and will be followed by a participatory game, where "the people make the decisions" either in a telethon or audience participation form.

As a build-up to the TV programmes, leaflets where the options are "grouped into small packages" will be "spread thickly on the ground". But even if the films are the viewers' first inkling of what the future may hold for them, Ryan thinks they will be sufficiently self-explanatory to start off the decision-making process.

CFF has already had an input into two films on the future made for and shown on TV2, but the 1980 effort will be all its own work.

●

FOREIGN Minister Talboys obviously places great store in establishing a smooth relationship with the Iranian regime of the Ayatollah Khomeini. And obviously it's not solely through a respect for militant Islam.

When Pakistani strongman General Zhaheer proceeded with the hanging of former President Bhutto, Talboys issued an unsolicited statement condemning the deed. There's been a glut of political hangings in Iran but this has failed to draw a hint of New Zealand's condemnation.

Talboys' Australian counterpart, Andrew Peacock, has had no such qualms (if Talboys is looking for a trendsetter before sounding off).

On the suggestion that the deposed Shah of Iran might want to come to New Zealand, Prime Minister Muldoon declined to comment. Talboys, in contrast, made clear the Shah was not welcome here.

If it's our trade that determines Talboys' attitude to these things, and if he is intent on keeping Iran's leaders happy — well, history does hold a lesson for him. The Shah has been ousted before — and then made a comeback.

Life assurance firm solicits unionists

TRADE unionists have been solicited from an organisation called the Union Agency, which offers up to $40,000 for first or second mortgages under a scheme called a "balanced savings plan".

Union Agency's mailer is addressed to "union members of good standing" and it has provoked questions—such as, who is Union Agency? And, how did they get my address?

Some unions have disclaimed knowledge of or association with the Union Agency.

A box number is provided on the mailer, along with the promise to supply full details if the unionist fills in the postage-paid reply card.

Then the union member will learn that Union Agency is part of Capital Life Assurance Ltd. The $40,000 mortgage money deal is linked with the purchase of term insurance.

Capital Life managing director Peter Crellin said the only link it had with any union was a recently concluded group insurance scheme with the Timber Workers Union which gave the 1200 members life cover of $1000 each.

Capital Life's selling methods have been criticised by the Life Underwriter's Association which doesn't like the implication that Capital Life is affiliated with the trade union movement.

The LUA questions the propriety of selling life insurance as access to mortgage money (despite the fact that most insurance salesmen sell life insurance as a tax writeoff, and not insurance as insurance in its own right).

Crellin said use of the words "Union Agency" had attracted some flak—but how do you go after union business without using the word "union": he asked.

The Union Agency concept has been modelled on an American scheme to offer group term insurance to union members.

"Initially we wanted to be associated with the trade union movement—to design a policy specially for the trade unionist. If we can cut costs by selling group insurance we could pull away from our competitors," he said.

Life agency offers mortgage lure to sell policies

by Warren Berryman

THE availability of mortgage money was the second major reason why people bought life insurance, according to market research undertaken by Capital Life.

The major reason was the tax exemption, the research showed.

The findings gave rise to Capital Life's Cahlla plan (commercial and home loan life assurance). And the Union Agency is a part of this scheme.

Under the Union Agency's balanced savings plan the policy-holder buys a 20-year term policy. Capital Life guarantees that all the money in the premium pool not required to be invested with the Government will be made available to policy-holders as mortgage money.

Under lending criteria similar to the average bank's, Capital Life will loan the money to policy-holders who have been with the company more than two years. Interest

MARKETPLACE

rates are 11½ per cent for first mortgages and 12 per cent for second, said Capital Life managing director Peter Crellin.

He said, that while the company did not guarantee a mortgage in two years, the company was granting mortgages to policy-holders who had been in for 2½ years or longer.

It sounds good. But not every policy-holder will be able to claim the mortgage in two or even three years.

Capital Life grants mortgages up to 50 times the value of the policy-holder's annual premium. For a mortgage of $40,000, one would pay an annual premium of $800.

This buys the policy-holder a $17,800 death benefit, and a maturity value on the policy after 20 years of $23,700.

Like all term life insurance, the policy is not designed to be in force when the policy-holder dies. Steeply escalating rates make these policies most attractive to the 25-40 age group — the same age group that is most likely to be seeking mortgage finance.

To provide one $40,000 mortgage any insurance company would need a pool of at least $60,000, because no less than one-third of the pool must be invested in Government stock.

The first year's premium of an average life policy goes to pay expenses, commissions to salesmen and administration costs.

In effect, only the second year's premium therefore, goes into the pool. Interest on the money in the pool adds to its value.

Assuming an interest of 10 per cent on the money in the pool during the second year, it would take about 70 policy-holders paying an annual premium of $800 to build a pool big enough to provide for just one $40,000 mortgage.

Assuming that all policy-holders bought the policy in hopes of a $40,000 mortgage after two years, about 60 out of 70 would be disappointed.

But Crellin said Capital Life satisfied more than half the applications for mortgage finance.

Some of those turned down had not been policy-holders for the present minimum 2½ years and about one in three did not have adequate security, he said.

Many policy holders did not require mortgage money till well after the 2½-year-period; others took out mortgages and later repaid them before the term was up.

But should customers assume that everyone replying to the Union Agency ad and taking a policy will get a mortgage on demand after 2½ years?

Capital Life's accounts for the first eight years of the company's existence, show that of 14,475 policies issued, 5354 were surrendered, forfeited, expired, transferred or cancelled.

During that time Capital Life paid out 43 death claims and had 19 policies mature.

Up to September 1978, Capital Life therefore assured a total sum of $138,853,848 of which $56,338,218 was discontinued.

In 1975, Capital Life issued 960 new policies but had 1046 policies forfeited. Policy-holders who forfeited got nothing back on the premiums paid in except the life cover in force while their payments were up to date.

During that period Capital Life was using the Circuit Developments group as sub agents. Circuit was organising syndicates of policy-holders who borrowed against the loan value of their policies to invest in property.

When the Circuit Group crashed, Capital Life lost about 50 per cent of its new business.

The policy-holder paying annual premiums of $800 to qualify for the $40,000 mortgage could lose up to $1600 if his policy lapses during the first two years. After two years the $1600-plus paid in premiums has a surrender value of $598. After five years, when he has paid $4000 into the pool, his surrender value is $2617.

Crellin acknowledged that Capital Life had a worrisome lapse rate.

Capital Life preferred to use the term "persistency" rather than lapse. The percentage of policy-holders persisting with their premium payments was improving, he said. Of the total policies issued in the 12 to 15 months before December 1978, 79 per cent of policy-holders kept up their payments. For the 12 to 15 months period prior to March, 1978, this figure was 65 per cent, Crellin said.

Capital Life has an award for top-selling salesmen. To qualify the salesman must keep his lapse rate below 15 per cent.

Many life offices would consider even 15 per cent too high.

Capital Life's Cahlla plan leaves tradition behind

CAPITAL Life's Cahlla plan is a distinct departure from the traditional life insurance plan. Except for the money put into Government stock, the pool of money covering the company's unexpired risk is tied up in mortgages on property.

Most insurance companies invest this pool in a balanced portfolio. Some lend long-term, some short, some in property, some in stocks and shares, some in commercial buildings.

This spread insures the company against radical changes in any one sector of the economy and ensures part of the money invested, is available on short notice. (For example, after a natural disaster or an air crash).

Cahlla plan policyholders have the bulk of their funds invested in the property basket, said Capital Life managing director Peter Crellin. But Capital Life's overall investment portfolio (the Cahlla plan, plus other schemes offered by Capital Life) was more in line with those of other insurance companies, he said.

The company's last annual report showed that the preponderance of the $5 million life fund (covering $83 million insured) was invested in property.

Crellin said Capital Life carried no more than $12,500 risk on any one life. The remaining risk was reinsured with Mercantile and General.

The average policy coverage was only $10,000, he said.

Crellin said most of the mortgages were Government guaranteed, which reduced the risk in the beleaguered property market.

Mail-order insurance

CAPITAL Life was the first in New Zealand to start direct-sell term insurance. Other institutions — including the banks — have followed.

The trend towards mail-order insurance threatens to cut the insurance salesman out of the market and-or deprive him of his commissions.

The trend probably had its origins in the Government's decision to make forced savings through life offices tax deductible — while the individual's voluntary savings and self chosen investments were taxed.

With insurance being sold as a tax dodge — or as access to future mortgage money — what is the future role of the insurance underwriter selling insurance as insurance?

Capital Life managing director Peter Crellin says: "Term insurance is like aspirin. A person has a need he can identify himself. He doesn't need an agent. We distribute it like a chemist shop—not through a doctor. This benefits the consumer, because it is cheaper."

Union Agency sales were going well he said. There were 1398 policies in force at the last balance date.

NZ accepts free space

Tokyo Correspondent

NEW Zealand's gratis lease on 100 square metres of display space in Tokyo's prestigious new World Import Mart has been renewed for a further "trial period" of six months, according to David Leishman, Trade Commissioner at the New Zealand Embassy.

The centre was set up by some major Japanese companies in co-operation with the Japanese Government to promote more imports. The New Zealand space is given free, but because the number of visitors has so far been small, New Zealand had almost decided to cancel the lease at the end of March.

Media exposure, and reports of businessman visiting Tokyo who didn't know that the space was available for their use, no doubt created more interest in the premises. It might also have prompted official inquiries into why so few potential exporters were made aware of the existence of free trade display space in the world's most expensive city, in participation with many other nations.

The official concern over numbers of visitors was largely irrelevant in so far as the area is for trade inquiries rather than the large volumes of private consumers who mean success or failure at a public exhibition.

Butcher's counsel: food rules inhibit hygiene

by Rae Mazengarb

FOOD regulations prevent city butchers from chopping up the home-grown meat of country customers.

The rsgulatinns are intended to foster hygienic practices.

But when they came under challeoge in tbe Supreme Court, counsel for a butcher who had been prosecuted for butchering home-grown meat argued that tbe blenket provisions of tha regulations bad the effect of inhibiting hygiene.

And counsel for a city health inspector conceded that the regulations had a much broader aweep than intended by the legislators.

The case turned on whether regulations made under the authority of the Food and Drug Act 1969 wers ultra vires.

Hinging on the outcome was the long-standing practice of some Taranaki butchers dressing customers' farm-killed meat.

The butcher was sppealing from the Magistrate'a Court decision which had found him guilty of an offence under Regulation 10(2) (c) of the Food Hygiene Regulations 1974, in that he used, "as a foodroom in food premises at New Plymouth, s room that was not exclusively for the purposes of those food premises".

It was described es a test case becsuse the offending practice had developed in the absance of approved abattoirs or similar suitable premises in the district.

Farm-killed meat was stored in a coolroom which formed part of premises where meat for sale to the public was handled.

Counsal for the appaliant accepted that the particular premlaea concerned came within the definition of "food pramlses" es defined in Regulatioo 2(1) because of his ordioary activities as s butcher selling meat to the public.

Regulation 10 (2) (c) forbids any use of "food rooms" on food premises thst is not exclusively for the purpose of the food premises, that is handling food for aale.

Because the farm meat wns not sold, but merely was cut up and returned to ita owners, the magistrate had found the butcher guilty of an offence.

Tha basls of the appeal was an attack on the validity of the regulation.

The Food and Drug Act glves wide powers to the Governor-General by Order-in-Council to make regulations for the purpose of—among other things—"securing tho cleanliness and freedom from infection, deterioretion, or contamination of any food . . . in the course of its menufacture, preparation, storage . . . or exposure for sale" . . . (seclion 46(f))

Counsel nrgued the regulation was unreasonable, but conceded that this in itself wos not grounds for striking it down.

He criticised whut he felt to be the extraordinary sweep of the prohibition it imposed and suggested that where food is dealt with on premises in any of the wnys mentioned in the definition of "food premises", it is an offence to use them for ony other purpose, with obvious implications for supermarkets and similar undertakings.

He pointed out that the use of butchers' shops in this way—especially in areas where there are no licensed sbattoirs—at least ensures the hygienic processing of form-killed stock—and by depriving farmers of this service, the regulation in fact inhibited hygiene.

Justice Casey refuted [illegible] nrgument, saying that [illegible] purpose of the Act was [illegible] control the sale of food [illegible] drugs and the fact that [illegible] so hardship might be ca[illegible] does not justify interfere[illegible] by the court. "... this is for [illegible] legislators to correct."

He accepted that if [illegible] regulntion was so wide th[illegible] penalised conduct which [illegible] not on any rational b[illegible] affect the objects to be sec[illegible] by section 46(f), then it [illegible] be sold that Parliament [illegible] never have intended su[illegible] result.

In such s case, [illegible] reguiation could be decla[illegible] ultra vires.

Counsel for the city he[illegible] inspector conceded that [illegible] regulation led to s far [illegible] prohibition than the fram[illegible] the legislation envisaged.

But Justice Casey reje[illegible] the ultra vires argu[illegible] because the regula[illegible] contained one safegu[illegible] provision which recogn[illegible] and allows for the parti[illegible] of premises.

The decision was on[illegible] severol recently which h[illegible] highlighted probl[illegible] generated by legislation [illegible] far beyond what the l[illegible] makers could have [illegible] and bureaucrats act[illegible] excess of their legal p[illegible]

In one case, a F[illegible] venison company was de[illegible] licence to export ve[illegible] without explanation, (F[illegible] February 28). Ministry [illegible] Agriculture and Fishe[illegible] officials were rapped ove[illegible] knuckles by Court of Ap[illegible] judges for their handling [illegible] affair.

Another case involving [illegible] farmer who wanted [illegible] meat from his [illegible] (NBR May 24, 1978).

Some might expect th[illegible] to intervene in such case[illegible] If front-gate [illegible] operations raised questio[illegible] hygiene—but the actual [illegible] the court action [illegible] Christchurch Press ga[illegible] indication that the autho[illegible] had cause for concern [illegible] hygiene—or lack of it. [illegible] the former found himsel[illegible] breach of the law becaus[illegible] word "produce" could n[illegible] applied to his pig meat. [illegible] produced on the farmer's [illegible] but had left the farm [illegible] slaughtering, smoking [illegible] curing, before being ret[illegible] to the farm packaged.

ICI broadens its market

by John Draper

HURT chemists are unlik[illegible] be rubbing antiseptic c[illegible] into the wound caused by [illegible] Tasman's decision to [illegible] Savlon through supermar[illegible] and grocery outlets.

Traditionally all antis[illegible] creams and liquids, [illegible] Dettol, have been the ex[illegible] domain of chemists.

Now Savlon products, [illegible] household brand leader, [illegible] join aspirin and stic[illegible] plaster on the grocery she[illegible] initially in the Auckl[illegible] region.

Tasman's marketi[illegible] manager, Hadley Wright [illegible] the change will bring [illegible] Zealand in line with Aust[illegible] and Britain.

"Our prime objective [illegible] increase sales. The [illegible] overseas is towards sell[illegible] grocery outlets and w[illegible] being forced to follow [illegible] maintain our market sh[illegible]" he said.

Other products tradi[illegible] found in pharmacies are [illegible] to appear between th[illegible] powder and the sug[illegible] Savlon is established.

Rain clouds wash away hopes of a good vintage

by Warren Berryman

BRIGHT sun and clear skies early this summer signalled a bumper grspe harvest and a good year for the wina industry. Then it ralned . . . and ralned . . . and ralned.

The beavily iaden vines that only months before had promised growera a new car or colour TV began to auck up water. The grapes began to swell and split. Botrytis and other fungal rot set in.

Further rain finslly ruined the vintage.

The season that started so well, ended in paolc picking in the ralo and is now seen by growers as the worst in 10 years.

Worst hit were growers in Auckland, Hawke's Bay and Gisbome. South Islsnd grapea seem to bave come through unscathed.

The grapes affected were ths Riesling, Chasellas and Palomino. Reds are hardier and should come through ali right except for a higher water and lower sugar content, unless the weather improves.

VINEYARDS . . . some growers picked eerly but paid the price of low sugar content.

Despite the bad weather, total tonnages of grspes are expected to be only elightiy down on lsst year's.

The major effect is likely to be on production of good New Zealand white wines, from these early season grapea.

Too much rain iate in the season causes the grapes to take on water which Increases tonnages, but causes them to lose sugar content due to the lsck of sun ripening and the diluting effect of odded water.

Mud stopped the mechsnical harvesters in some cases and hand picking was too slow to beat the decay. In other coses, growers picked early to save the crop but paid the price in low sugar content.

Gisbome-based, Ministry of Agriculture and Fisheries fruit expert, Paul Pollock said he expected sugor content to be down to 14 brix versus 17 brix last year.

Botrytis, a fungal attack on the grape bunches, is set off when the fruit is damaged by birds or hail, or — as it is in this case — by high water content, splitting the fruit.

In France botrytis is known as the noble rot. There, and in Germony the fungus desiccatas tha grapes, concentrating the sugar content and inparting a desirable flavour to the wine.

But growing conditiona are coolor in Europe than in Naw Zeolond. Here the fungal attacks are associatad with an oxidising enzyma which apoils tha juice.

Some growera prevanted botrytis by spraying. Others did not.

Wina makers can pravant detarioration of tha juico by pasteurisation.

Any salvaga operation is unlikaly to laad to good matured wines. But a major financial impact on the industry is unlikely becausa the bulk of whita wine sold here la very young and fruity.

Tha low sugar content of tha grapes does posa a problam. Soma winerles pay contract growars a price for grapes based on sugar content. These growars will raceive lower pricea per toooa — but will have mora tonnage as wet grapes are haaviar.

To avoid producing a thin aod tastelesa wioe, wine makers will have to bring up tha augar content. Sugar can be added, but this only boosts tba alcohol cootent and adds no body to the wina. Or the wina maker can add grape juice concentrata to bring the thin, sugar-weak juices up to strength.

Wine purists argue about the desirability of doing this to good wines.

On one point all agree: 1979 is not going to be s vintage year for fine New Zealand whites made from the early ripening grapes.

Peas pose Nafta problem

by Warren Berryman

AN Australian food processor tried beating New Zealand peas producers by sitting on both sides of the Nafta negotiation table last week.

Pressure from Australian growers and processors last year resulted in a 1400 tonne quota being placed on New Zealand exports across the Tasman.

Now it seems that the bulk of that quota is being filled early in the season — not by a New Zealand company, but by a New Zealand subsidiary of Australia's biggest food processor, Petersville Ltd.

Of the 1100 tonnes of frozen peas already sent to Australia in the first three months of the yearly quota period, Petersville's Blenheim plant haa exported an estimated 700-800 tonnes.

The quota was agreed between Australian and New Zealand frozen vegetable interests. It has the force of a formal quota in that, if broken, the Australians can go to their Government and ask that a formal quota be imposed.

To rub further salt into local producers' wounds, Petersville's Blenheim-based Edgell division was financed by the Development Finance Corporation; receives New Zealand export incentivea; undercuts prices set by locslly based Watties and Western-Golden Coast; and has picked off the two top market prizes — the Auckland Hospital Board and Government Stores Board supply contracts. These bodias now get their frozen vegetables from Australia at prices lower than those tendered by the New Zealand owned processora.

When it comes to trade negotiations, Petersville has a foot in both camps. The quota guidelines were agreed to last November by the Australia and New Zealand Pea and Bean Panel. This body was made up of growers and processors from both countries and Government representatives.

Petersville had a man representing the New Zealand intereats on one side of the tabla and an Australian representative on the other side.

Petersville has a marketing edge in supplying its own parent company with New Zealand-grown peas, and can do this in bulk lots. The New Zealand processor is more likely to supply retailers on a regular bosis over the year.

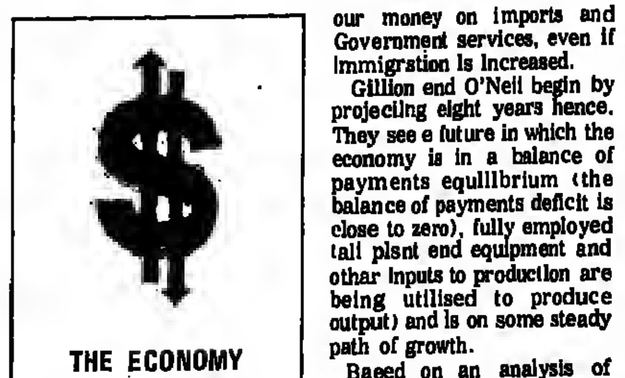
It is understood that at least some New Zealand growers and processors would like to see the quota arrangement tidied up to prevent Petersville filling the quota early in the sesson and leaving them out in the cold.

These interests would also like to see exports from processor to processor excluded from the quota.

Australian growers have been complaining about the large ahipments of peas coming in at low prices. This, they claim, amounts to dumping.

Spoonful of sugar helps economic pill go down

Economics Correspondent



THE ECONOMY

WHO says economics is the dismal science?

True, economists with the OECD, the New Zealand Institute of Economic Research and the Planning Council have published gloomy forecasts about New Zealand's future.

But just when it seems our country's leaders may be getting the message that the economic outlook is not good, two Reserve Bank economists have published a report painting a bright picture of the New Zealand economy in the medium term, between now and 1986.

Trade, Income Shares, Migration and Public Expenditure: Four Choices for the Medium Term is the third report in an economic research project undertaken by Colin Gillion, a visiting economist with the Reserve Bank and Michael O'Neil, a member of the Bank's Economics Department. It examines questions thought by the authors as likely to be of relevance to economic development over the next 8 to 10 years.:

Perhaps more than any other recent comment on New Zealand's future, Gillion and O'Neil's latest publication is based on systematic economic research technique conducted within a consistent and comprehensive framework. The research framework is described in two earlier publications, A Statistical Basis for Medium-Term Projections and An Input-Output Model of Structural Development.

The first study described the industrial structure of the economy and its development over the last 20 years using the authors' statistical series. These statistical series provide the basis for projections of what might happen to the economy in the period to 1986 published in the second paper.

Unfortunately, the writing style of Gillion and O'Neil does not live up to the standards set by their research. Non-economists will find their publications hard going. Even economists will find some of the arguments sketchy and illustrated by tables which are often difficult to interpret.

And the authors' results are not really so optimistic. Their attempts to show the economy in a good light while reporting pessimistic results of their research makes for very confusing reading.

In their latest paper, Gillion and O'Neil optimistically conclude that it is possible that the balance of payments equilibrium can be achieved in the future without sacrificing the objective of full employment. This can happen, even if we continue to spend our money on imports and Government services, even if immigration is increased.

Gillion and O'Neil begin by projecting eight years hence. They see a future in which the economy is in a balance of payments equilibrium (the balance of payments deficit is close to zero), fully employed (all plant and equipment and other inputs to production are being utilised to produce output) and is on some steady path of growth.

Based on an analysis of economic trends in the last 20 years, the authors project a possible growth path leading up to and through the target year, 1988.

One reason Gillion and O'Neil take a more optimistic view of the future than other commentators is that their medium term projections are based on more optimistic assumptions. For example, they assume that growth will increase faster and the balance of payments will show greater improvement than assumed by the Planning Council in its Planning Perspectives, 1978 - 1983.

The council said last year that to achieve an equilibrium in our balance of payments, we would have to increase non-traditional exports. Nonsense, say the Reserve Bank economists. We are in a long-run position to alter the level of trade as we choose. The instrument available to the Government to select the level of trade is the exchange rate. Broadly, an increase in trade amounting to 1 per cent of gross domestic product (GDP) requires a devaluation of about 1 per cent and some adjustment of tariffs.

Tariffs would have to be adjusted to meet the authors' original condition that full employment be maintained. With devaluation, domestic industry would require some additional protection to reorganise production to replace imports.

One thing increased exporting does not do, is provide for a substantial increase in the country's output, according to Gillion and O'Neil. Even with substantial improvement in the terms of trade and if the productivity of exporting were to double to its present level, no great increases in output are likely to occur.

Total consumption is not greatly affected by the level of trade either, though the pattern of consumption is. In the words of Gillion and O'Neil: "The main reason for trade, it would appear, is that we prefer the goods other people make to the ones we produce ourselves."

But, "in order to obtain the consumer imports we desire it is necessary to create an economy fully exposed to international markets, their vacillations and uncertainties".

So, in the final analysis the choice of what we do about trade is not straightforward. If we encourage exporters through the operation of the exchange rate, consumer imports are certain to increase. If not, there will be a certain amount of social upheaval. The authors tell us that "it is a choice which the community avoided throughout the 1950s and 1960s and it may well be a problem which the electorate does not want to understand".

After the good news that massive increases in exports are not essential to New Zealand's future development, the authors present some strong medicine.

"The share of profits must be increased by something of the order of 6 per cent of current net output, from say a 30 per cent share to a 36 per cent share.

"Whether the necessary increase in profits is a severe one and how it might affect the personal distribution of income is not clear. But if we opt for growth, both the sacrifice and the re-distribution are likely concomitants."

The Gillion and O'Neil model indicates that large amounts of capital is needed to cope with the additional workforce resulting from increased immigration. "In order not to affect the living standards and productivity of the existing workforce, it is probably necessary that each immigrant worker attract from abroad capital of the order of $60,000 at 1978 prices."

So the authors' optimistic conclusion about immigration also carries a strong dose of pessimism. "It is not possible to avoid the consequences: we can choose to take our growth in terms of people or machines, but not both."

Following recent discussions about the appropriate size of the public sector, the authors' final experiment is to discover what changes in the structure of industry might occur if there was an expansion of public expenditure at the expense of the private sector. They find that when the public expenditure ratio increases from 15 per cent to 20 per cent of gross domestic expenditure, there is a reduction in the level of private consumption, a rather greater reduction in private investment and a fall in the rate of growth.

This sounds like pretty bad medicine. But no, Gillion and O'Neil have a sweetener. "It should be remembered that within a national accounting framework, no profits are attributed to social capital although public works such as roads clearly add to welfare and the capital provided by public services such as police, health and education contribute to their efficiency. In a welfare sense (measuring benefits not valued by usual statistical measures) the effects of increased Government expenditure on the rate of growth are likely to be an overestimate."

Finally, after a desperate attempt to make the projections sound more optimistic than those of other commentators, Gillion and O'Neil repeat the diagnosis of New Zealand's economic situation heard so many times before.

"In the short term exports are the engine of growth in the present circumstances. A lift in export volumes would at least reduce the amount of deflation needed to cope with the lower terms of trade. Whether policies exist and can call forth short-term lifts of exports is another matter."

Enough then of the sweeteners. It is time policy makers prescribed the medicine to assure that the economy gets on the best road to growth in the medium term.

TV shake-up: no focus on results till 1982

by Bob Edlin

THE MEDIA

THE financial effectiveness of the Cross television restructuring will remain unknown at least until late 1982.

The timetable works like this:

In 1979, BCNZ chairman Ian Cross is dissatisfied with a system which he will reorganise.

His changes (if approved) will be implemented into in April 1980.

The first results will show through in the accounts for the year to March 1981.

That annual report should publicly emerge about August 1981 — just before an election. And we can expect to be told the system should be given a fair go and that one year's operations are hardly enough.

And so if two years at the least are allowed to judge the consequences of Cross's changes, we must wait till August 1982 to find out how the restructured corporation is working.

By then, it could be there are calls for further restructuring.

The 1978 operation had been given less than two years to prove itself when the Government promised in its manifesto last year that there would be further change.

The trouble in assessing the worth, from a financial viewpoint, of Cross's ideas is the uncertainty. For example, licence fees (under review by the Government) are an unknown quantity.

Cross has said there would be changes, but even he could not spell out where the savings would be made or how much would be saved.

"No, it is impossible to quantify the effects of the benefits which flow from unification. But I would expect — and I am certain of — savings," he said.

But Cross's appreciation of his corporation's financial performance seems suspect at the best of times.

Cross described the turning of a 1977 $2.5 million loss into a profit of twice that amount last year, as "an economic miracle".

Part of the miracle flowed from the Government's writing off of an almost $40 million debt.

Cross also claimed the year's surplus was indicative of highly successful management by broadcasters in times of economic constraint.

But some three months later, he was saying that licence fees should increase or viewers would have to face big cuts in programmes.

In October last year, he was publicly anticipating a profit of not more than $1 million this year. Last month, he was conceding there would be a deficit of up to $1 million.

The chief executive of a company as big as the Broadcasting Corporation surely would be expected to have a firmer idea of financial performance and expectations.

But part of the corporation's problem is a lack of management skills in top television jobs.

Cross is a journalist. Beneath him are his television chiefs — Allan Martin, Des Monaghan, Alan Morris and Kevan Moore — broadcasting men all but not a businessman among them.

In nearly all areas of television, people are promoted up through the ranks to management positions. They have no management training.

A man who might be a good drama producer is promoted to a position where his lack of management skills makes him less than effective, while drama is deprived of his talents.

Television also has questionable accounting systems. A programme team which has used up its budget for paying fees to guests will arrange for the payment to come from, say, the transport budget.

Result: there is no clear idea at the top of who is spending how much on what.

Nor are decisions made by people with an overview of television activities.

Example: A TV crew is not allowed to work overtime because that would come out of a wages budget. So if the crew is driving back from Hawkes Bay, and arrives in Palmerston North about 5 p.m., it will phone Avalon for instructions and be told to knock off for the day — book into a motel for the night.

The crew will be back on the road at 8.30 a.m. next day, and arrive back at Avalon at 10.30 (too late, perhaps, to be effectively utilised that day). There has been no addition to a wages bill of concern to the decision-maker — and the other costs are someone else's problem.

The obvious disadvantage is that such policies engender 8.30 to 5 p.m. attitudes in staff. Why should they make an effort to work after 5 p.m.? they ask.

More important, the true cost of their project becomes obscured. The result is that there can be no recognition of where savings should occur.

And decisions are made around comparatively minor sums, rather than on the basis of their generating the best use of an asset.

Avalon is not fully utilised at nights or weekends. Thus a $20 million facility is given maximum use for just eight hours a day. One way of gaining better use is to allow "outside" production units to lease the facilities, rather than leave Avalon idle.

Television's budgeting procedures became a public joke when the costs of The Governor were questioned.

Programme controller Des Monaghan disputed Muldoon's complaint that the programme had cost $1 million.

The cost was likely to be $540,000, not $1 million, he said. The $540,000 was for "above the line costs", including extras, props and equipment.

Later, he explained that fixed "below the line" costs, including TV1 staff salaries, wages and other overheads, could be $600,000. When the Public Expenditure Committee sub-committee reported on its inquiry, it showed the total actual or assessed cost of The Governor series as $1,401,700.

That figure did not include TV1 overheads and the use of its equipment.

The original budgeted "above line" cost had been $365,850.

"Apparent weaknesses in expenditure control obviously lay in the system rather than in the actions of the production team itself," said the sub-committee. Those weaknesses remain, according to broadcasting insiders.

Significantly, too, Cross has opted to tackle his problem without asking anyone. He is not bringing in management consultants and there will be no golden handshakes.

Cross has brought in committees comprising existing internal staff members to look at his restructuring ideas.

The Douglas scheme enthusiastically implemented by the last Labour Government led to a big proliferation of staff. Television One has some 900 people, Television Two about 800, Radio New Zealand has 1200.

According to one account, Cross will be "redis-positioning" at executive level. There would be no staff redundancies, he said.

He seems to have looked at his personnel, then based his restructuring round his top people.

If a chief executive ran a company with the same huge annual income and assets, and he decided to restructure, the last thing to consider would be where to place staff. He would restructure, then appoint people to fill the jobs.

Prime Minister Muldoon should know that without staff cuts, effective savings are doubtful.

In Truth on March 13, he said wage and salary costs in broadcasting had increased by a good deal more than the average increase in wages and salaries throughout the country, and that meant "that they are continuing to carry more staff".

This is an area where economies can certainly be achieved, said Muldoon.

Muldoon said he hoped the production side of television would be rationalised "and it is to be earnestly hoped the number of staff required to produce the service will diminish considerably".

Some staff claim there are a number of people who are positive blocks to good programming. But the PSA says there must be no dumping of staff.

If there are highly paid but ineffectual executives filling in time till retirement, they should be promoted out of the system rather than upwards or sideways. Broadcasting could learn from another State enterprise, which has been pensioning off people, paying two to three years salaries to benefit from the better management which results.

Channel Seven in Sydney runs for 10 hours a day, seven days a week. It has just recorded a profit of more than $2 million. Its advertising rate is lower than the Broadcasting Corporation's and it has a staff of just 400, including engineers.

TV1 and TV2 staff numbers exclude engineers.

Channel Seven boasts 40 per cent local content.

Most curious is the geographic nature of the Cross restructuring.

One service, directed by TV2 chief Martin, will operate from Auckland, directing all local production, such as news, drama, light entertainment and documentaries.

The other, directed by TV1's Alan Morris, will be based at Avalon and will be responsible for transmission, scheduling programmes, buying overseas programmes and advertising for both networks.

So the production unit based in Auckland will manage the country's best (and not fully utilised) production facilities at Avalon. These facilities were built for a two-channel operation.

And Wellington will direct operations in the biggest advertising market in Auckland, which is also the location of many of the big programme distributors.

So the team in Wellington who want to make a series must first convince their chiefs in Auckland. They jump on a plane and fly to Auckland to sell their idea to the production chiefs.

But the production chiefs will have to secure a programming slot from the programming bosses in Wellington — so they will fly to the capital for the appropriate negotiations.

If anyone benefits from broadcasting's restructuring, it looks like it will be Air New Zealand.

NBR BUSINESS WEEK

395,823 false teeth bite into overseas funds

by Peter V O'Brien

WHERE would we be without the mass of information from the Department of Statistics? A search through that material unearths vital data on the state of the economy, what we do with our money internally and externally, how much we eat, wear, and waste, and sets of numbers covering every aspect of our lives.

The latest Abstract of Statistics includes import and export statistics for the six months to December, 1978. They show that the country imported goods with a cif value of $1,798,415,393, compared with $1,708,601,379 in the same period of the previous year.

We also exported products with an fob (free on board at port of shipment) value of $1,732,135,984 as against $1,438,099,939 in 1977.

Those figures represent our overseas trading patterns, so there is nothing remarkable about them in total. But the department kindly provides a breakdown of the items by various product categories. Given the amazing array of imports, some of which admittedly consume comparatively little foreign exchange, there seems considerable scope for more import substitution.

Trade and Industry Minister Lance Adams-Schneider should look seriously at the 395,823 artificial teeth, worth $151,153 in their respective countries of origin, which were imported in the six months. He might find a clue to this disgraceful waste of overseas funds in the $25.6 million (cif) or $23.1 million (cdv) worth of sugar and sugar preparations imported in the same period. Excluding sugar confectionery and "other sugar preparations", New Zealand imported 88,986 tonnes of sugar in the period between July and December, 1978. That represents about 31 kilograms of sugar per person in six months, just over 5 kilograms a month, and 1.25 kilograms a week.

It is hardly surprising that someone has a good little business in artificial teeth.

An interesting two way trade has developed in the communications field. New Zealand exported $50 million worth of paper and paperboard products in the period and imported $21 million. Those figures are not surprising, because the products are different.

But we have to do something with that paper. One method is to write on it, so we imported 18,911,600 pencils, 214,364 fountain pens, 209,954 propelling and sliding pencils, and 95,512 ballpoint pens and pencils. Either someone is doing a lot of writing (8 pencils per person, including the pre-schoolers, to average one a month), or the country is flooded with halfused (or half chewed) pencils.

Those who find it necessary to communicate in a clear script, managed to get through 277,100 typewriter ribbons, in addition to their pencils and ballpoints. Add in the number of these products which are made in New Zealand, and we have a nation of scribblers probably sending unread memoranda to each other.

The throwaway era demanded the import of 1,274,148 "smokers lighters" in six months, worth $421,000. There may be a relationship there with the $5 million spent on medical instruments and appliances.

The statistics show that the defence of our nation and all we hold dear received attention with the import of $11 million in "Arms of War". But we also did our bit for the defence of other nations, exporting $4134 worth of arms of war. That might be the start of a thriving export industry in weapons, to balance our overseas account through the world's trouble spots. The goods are clearly described as "New Zealand Produce", rather than re-exports, so they probably qualified for export incentives. Every little counts.

Lovers of the turf will be distressed to see the export of 712 racehorses, worth $5.2 million. The period covered is July to December, so it excludes the exodus of horses following the annual yearling sales. Horse lovers will be further distressed to see these animals classified under the heading "live animals chiefly for food". The dignity of the noble beasts surely demands a separate classification: $7300 per horse seems to destine them for a fate other than the knackers yard.

The variety of manufactured goods exported is an indication of diversification in New Zealand industry. Although not competing with export receipts from the traditional meat, dairy, wool and forest products, an extraordinary range of industrial machinery and other equipment was sold overseas. Agricultural machinery, metal manufactures, metalworking machinery, pumps, mechanical handling equipment, electrical machinery, telecommunications and sound equipment, road vehicles ($11 million worth), power generating machinery, plumbing and lighting items and heating and cooling equipment appear in the list of exports. In each case the value is at least $1 million, and the total produce a useful contribution to the export drive.

But it is difficult to ignore all that sugar, the artificial teeth and the pens and pencils. The last seems a readymade opportunity for an entrepreneur provided he can obtain suitable woods in New Zealand, and is able to import the "leads" for inclusion in locally made casings. Some devilish genius should also be able to capitalise on the fledgling arms of war industry.

Redundancy threat

Tokyo Correspondent

SWELLING supermarket queues in Tokyo prompted one of Kawasaki Steel's subsidiaries to come up with a fully automatic bagging machine for the groceries at the checkout counter.

According to the Company's reckoning, the machine reduced time spent on each customer from 74 seconds to 41 seconds. Japanese checkouts have two assistants – a cashier and a bagger, the latter of whom becomes redundant.

Kawasaki also reports that the machine also significantly reduces the space required at the checkout — to say nothing about reducing customer frustration at rush times. The equipment bags for 131 customers an hour, or, if a medium sized bag is sufficient, 144.

The desk housing the bagging machine is fitted with four push-buttons as well as a display lamp and a pocket in the centre. The cashier decides the size of the bag required for each purchase and pushes the appropriate button, transferring the groceries from the customer's basket or cart into the pocket. Care must be exercised to ensure that heavier goods are stacked on one side.

Another button slides the pocket, along with the groceries, toward a bag where they are deposited. The filled bag appears in an upright position at the other end of the checkout counter, which is spacious enough to accommodate four at a time.

Kawasaki claims that in Japan, where utility rates are extraordinarily high, the machine's monthly power consumption costs only $16. It can also be linked to a point-of-sales optical reader which automatically reads off prices and identification codes, feeding the information into a cash register.

The company is now turning out the machines at a rate of 300 a month, and they're retailing for about $10,000. Given the more corner-store relationship the more relaxed New Zealand supermarket shopper is likely to have with the checkout assistant – and the pleasantries exchanged – such time-saving equipment may be productive at the counter, but also counter-productive.

Analysing annual accounts

by Peter V O'Brien

THE annual report of Dunlop New Zealand Ltd illustrates an aspect of current replacement cost accounting which receives little attention in periods of high inflation rates.

While the company's inflation adjusted profit is lower than the historic cost figure, the proportional change over 1977 is higher under CCA. The Wellington group earned $6,400,000 before tax under historic cost accounting, compared with $8,288,000 in 1977. When adjusted to a current replacement cost basis, the pre-tax profit is $4,507,000, compared with $4,042,000 in the previous year. Historic cost profit after tax was $3,471,000 (1977, $3,728,000) while the CCA net figure was $1,576,000 as against $1,503,000.

Tax was $390,000 higher in 1978, due mainly to removal of the stock adjustment allowance.

But the pre-tax figures show that the impact of CCA techniques loses its comparative effect as the inflation rate retreats. The main change is in the company's trading income, which takes account of a "cost of sales adjustment."

Dunlop's trading income in 1978 was $7,293,000, compared with $6,014,000 in 1977, after a "cost of sales adjustment" worth $1,004,000. In the previous year the adjustment was $1,712,000, although total sales went from $56.4 million to $63 million over the period.

The adjustment covers the current replacement cost of materials and services used in the production of goods, relative to their value at the beginning of the accounting period. Since price movements were lower in 1978 than in 1977, the company managed to lift sales $6.6 million, but reduce the cost of sales adjustment. By comparison, trading profit under historic cost accounting was $7.7 million in 1977, and $8.3 million last year. Again the proportionate movement as between CCA figures and historic cost is markedly different.

Under CCA an adjustment (referred to as a "Gearing Adjustment" in the company's report) is also made to take account of outside finance in the group's trading. It arises because borrowed money is depreciating in relation to replacement costs, and therefore should be reflected in accounts which are based on the current costs of financing the total enterprise at balance date.

Dunlop provided $583,000 last year, compared with $798,000 in 1977. Borrowed funds, excluding sundry creditors, totalled $9.5 million on December 31, 1978.

The gearing adjustment is stated as "the proportion of the current cost adjustment attributed to the average level of finance provided by outside sources of capital during the year. This average has been calculated with reference to the net monetary liabilities at the beginning and at the end of the year".

The 1978 report is the third in which the company has calculated a full CCA financial statement. The effect of passing years on corporate accounts now appears in the changes to shareholders' funds.

Under historic cost accounting, shareholders' funds were $23.2 million at the end of 1978, an increase of $1.8 million over the previous year's $20.4 million. The application of CCA over three years has pushed shareholders' funds to $38.5 million. They totalled $35 million in 1977.

But the shareholders cannot get excited about the potential for increased distributions under the CCA system. The main change has been to "revaluation of land and buildings, plant and equipment", which is $20.6 million under CCA as opposed to $4.1 under historic cost.

This is the amount of money which the company needs to replace its capital assets at present day prices. The difference of $18 million between that amount and a historic cost revaluation of land and buildings to government valuation is another example of the true cost of inflation to an industrial enterprise.

The retained profits, on the other hand, are "worth" $5.6 million under CCA, while the historic cost figure is $11.3 million.

When the various changes to the CCA balance sheet are totalled, Dunlop is seen to be "short" of $14.2 million between funds employed on an historic basis ($32.8 million) and the funds employed under CCA ($47 million).

The report continues its usual good standard, with the relevant information on trading and financial position presented to shareholders without the carefully chosen phrases which companies often use to refrain from disclosing their affairs to readers.

One statement may surprise even those shareholders who follow their companies with a watchful eye. Dunlop now has 30 per cent of its business outside the tyre market, thus reducing reliance on a sector which, according to the report, has limited growth prospects.

Exchange rates

As at April 11, 1978
$1NZ is worth:

Australia	.9470
Britain	.5013
Canada	1.2071
Fiji	.6708
Japan	222.22
West Germany	1.8872
USA	1.0512
Austria	14.56
Belgium	31.43
China	1.6468
Denmark	5.5184
France	4.5558
Greece	38.38
Hong Kong	5.3262
India	8.4727
Italy	878.12
Malaysia	2.3228
Netherlands	2.1436
New Caledonia & Tahiti	83.06
Norway	5.3759
Pakistan	10.33
Papua-New Guinea	on application
Portugal	51.05
Singapore	2.3077
South Africa	.8861
Spain	71.85
Sri Lanka	on application
Sweden	4.5819
Switzerland	1.7987
Western Samoa	.7524

Selling rates supplied by CBA Bank.

Key indicators

		Current Period	Previous Year	Pct change
Consumers Price Index - all groups base Dec 1977 . 1000	Dec '78 Qtr	1101	1,000	+10.1
Building Permits Issued	Dec. '78	$ 100.4m	$ 84.0m	+20.0
	Dec. 78 Yr	$1072.7m	$1161.8m	− 8.0
Official Overseas Reserves	Feb 1979	$ 714.3m	$ 616.1m	+30.00
Registered Unemployed - incl. those on special work schemes	Mar.'79	49,843	38,818	+56.00
NZUC Share Price Index	11 April '79	345.31	309.48	+11.00
Reserve Bank Share Price Index	10 April '79	1440	1316	+10.00

Shopkeepers and unions enter Visa inquiry

by Peter V O'Brien

THE Commerce Commission's Visa Card Inquiry has already had interesting developments, although the substantive hearing does not commence until June 12.

The commission has held two preliminary hearings to deal with party status and applications for exclusion from the inquiry, and the Bank of New Zealand has announced that its debit card Visa system is to be changed to a credit card system, which will give bank customers 55 days of credit before the transactions are debited to their accounts.

The preliminary hearings involved applications by "outside" parties seeking status at the substantive hearing, and an application by the Australian based trading banks, Diners Club, and American Express to be exempted from the scope of the inquiry.

The parties given status for the full hearing are the Retail Hardware Federation, the National Association of Retail Grocers and Supermarkets, the Retailers' Federation, the Motor Trade Association, the Consumer Council, the Combined State Unions, the Dairy, Confectionery and Mixed Business Association and the Shop Employees' Union.

The hardware, grocers, retailers, motor trades and dairy and confectionery associations may seek to be joined as one party at the June hearing.

The decision on the parties has four areas of interest. The first is the status given to both the shop employees union and to associations representing their employers. It is believed that this is the first time employers' and employees' organisations together have been parties to an inquiry of this nature.

The commission decided that the "various retail trade associations justly ought to be heard". Referring to the union the commission said:

"The association representing many of the employees should be treated in the same way in this case. If effects flow from the introduction of the card systems under inquiry which may have a deleterious effect on retailers, then it follows that it may also have such an effect on their employees. For instance, if it can be sustained at the substantive hearing that a recommendation as sought should be made to bring such systems under the purview of the public interest criteria of the Commerce Act, then both retailers and their employees should be heard.

"The question of whether, at a later stage, an order or orders, with or without conditions, should be made is of course not at present at issue and may be the subject of separate and subsequent proceedings. Nevertheless, the commission has had regard, in exercising its discretion, to the fact that the present proceedings are a first opportunity for affected parties to make representations."

The Consumer Council was admitted, following representations that, apart from making the original complaint to the Examiner of Commercial Practices, it is unique in New Zealand and "virtually unique worldwide". Under the Council's empowering act, "the functions of a statutory Consumer Council and those of a voluntary association of consumers were combined". The members number "approximately 115,000".

Applications from the Australian banks, Diners Club and American Express involved more weighty arguments, including reference to legal precedents, and whether the examiner had jurisdiction to include the banks.

The commission distinguished between the banks and the Diners and Amex cases. The examiner had referred to "Visa and Bankcard systems", and formed the opinion that they could be contrary to the public interest. (The question of whether they are or are not contrary to the public interest is at issue in the substantive hearing in June). But the examiner's recommendation for an inquiry "did not encompass specifically other 'credit card' schemes, or even 'travel and entertainment cards' ".

The commission said "If it was the examiner's intention, by use of the words 'comparable purpose or effect' to embrace other specific schemes, the commission considers that the examiner should have so worded his recommendation".

But there was "no hesitation" in coming to the view that the application from the banks should be refused, although the commission did not attempt at that stage to determine the merits of the examiner's opinion.

"The subject matter represents a notable and important development in banking practice in New Zealand, which, if overseas experience affords any guidance, is likely to become widely accepted in this country. The commission is satisfied it would be irresponsible to form its views on the merits of the examiner's opinion without hearing the submissions and evidence, the examinations and cross-examinations, of all interested parties."

The preliminary exercises engaged the attentions of high powered, and presumably high priced, counsel representing equally high powered clients. But, irrespective of what happens as a result of the substantive hearing and subsequently, the issues are important for the parties, particularly the trading banks.

An application for exemption, or for party status, however well or thinly justified, is probably worth the time and trouble. The outsider, reading summaries of the arguments put forward by the counsel and the decisions made, is left to wonder at the ingenuity of different argument which flows from the same basic factual situations. Such are the tortuous intricacies of the law and its practitioners.

Surge in takeover bids delight target shareholders

by Peter V O'Brien


INVESTOR INSIGHT

THE present surge in takeover activity must be delighting shareholders in target companies, whether their directors recommend the bids or decide to fight them.

A favourable recommendation usually results in the shareholders receiving a price substantially higher than the market, while a battle can have the effect of additional goodies being found in the corporate cupboard, which was previously thought to be bare.

The latest two takeover offers provide examples of both cases. The UEB bid for tourist company Trans Holdings Ltd lifted the "value" of Trans shares to around the $1.50 level, compared with $1.28 immediately prior to the bid. The speed with which Trans directors recommended the offer suggests that a lot of preliminary homework had been done.

Since shareholders will receive a cash payment in addition to UEB scrip, they have a good cushion in the event of any weakening in the share price of the Auckland company after the issue of the new shares.

The Brierley Investments bid for John Burns Ltd, the Auckland based engineering group, is in the second category. John Burns suddenly discovered that it can do all sorts of things with the company.

While the overall exercise presents Brierley with an interesting situation, the other shareholders, including the non-family holdings, will do well out of the proposal.

Brierley's position could be in the nature of a "lock-in", given the Wellington group's shareholding of about 17 per cent, and an apparent substantial "loyal" family stake, said to be in the region of about 44 per cent. But there are obviously benefits for Brierley. When the accumulation of substantial share parcels was first noticed, the John Burns' share price was in the range of $1.20 to $1.30, and other shares were probably bought below that price.

The price went to $1.90 on the day the company announced its defensive moves, and there has been reasonable turnover since the statement of Brierley's $1.70 bid.

The John Burns' proposal has been valued at $2.50 a share, and involves a 50 cents tax free dividend on July 1, 1979, a 50 cents capital reduction on March 31, 1980, and a 75 cents tax free payment on December 31, 1980. The company says it is confident of maintaining a 25 per cent dividend on a 50 cent share, compared with the same payment of the present $1 ordinaries.

On that basis, and assuming that the company can live up to projected performance, a shareholder who bought at up to $1.75, will, in 20 months be holding scrip which cost nothing. The shares will presumably have a market value, and will be yielding infinity on the investment. (Any dividend payment on something which cost nothing must have an infinite yield, although the dollar return will still be 12.5 cents a unit.)

If Brierley is holding large parcels with, say an average price of $1.40-$1.45, there is a capital gain (which would have to be discounted over the full holding period to the end of 1980) of 25 per cent, and a return on an effective nil investment, presuming the shares are not sold off at an even greater profit.

The outside shareholder's position depends on the cost price of the holding, but again, assuming the arithmetic and future dividend policy is correct, there should be a good gain.

So everyone laughs all the way to the bank, although the takeover bid might be seen as a failure. The gains are potentially greater than in the case where an offer is recommended to the shareholders.

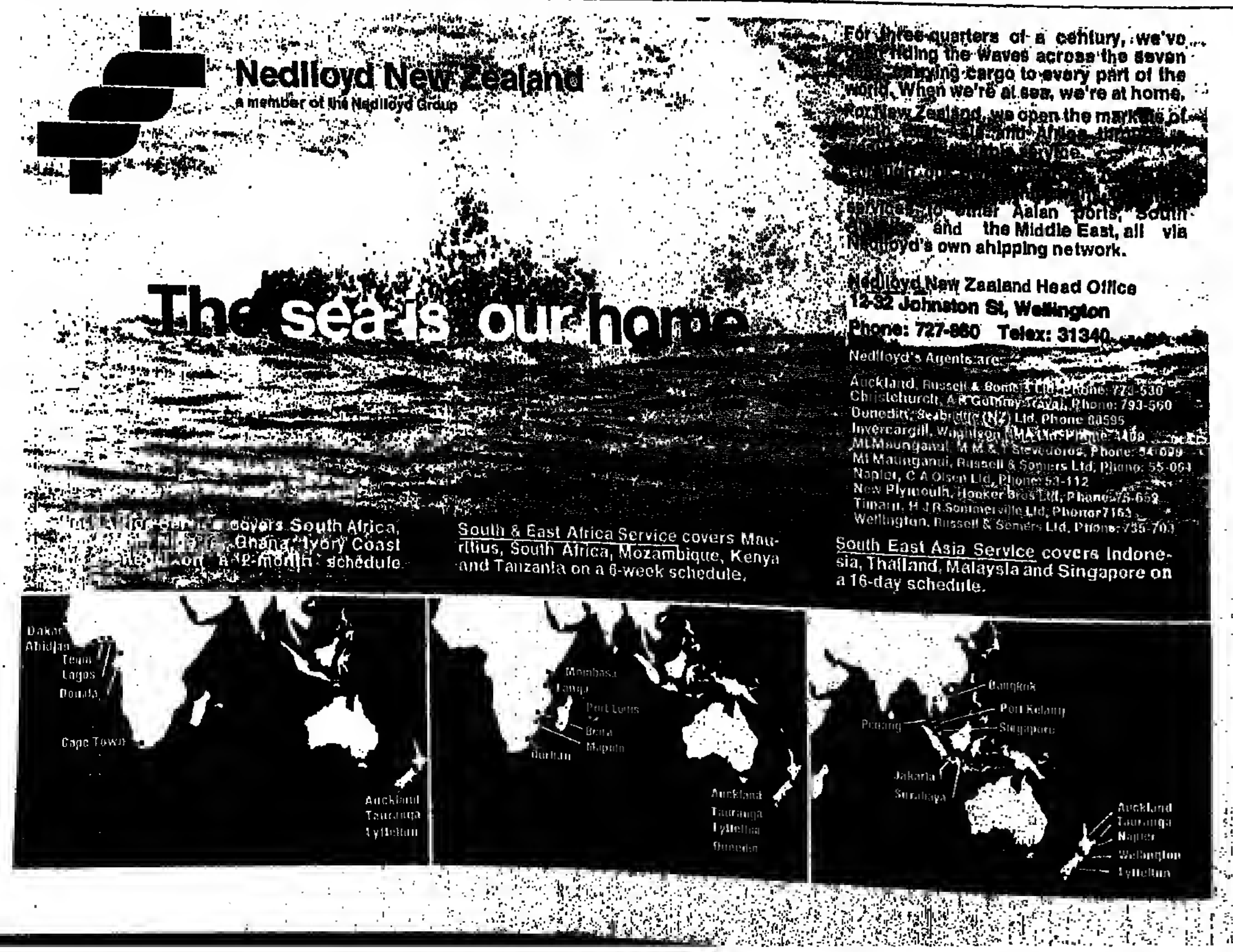
It would be interesting to know how many boards of asset rich, poorly performing companies, were looking through the shelves of their respective cupboards last week either to avoid unwelcome attentions from aggressive suitors, or to find more bones for starving shareholders.

The investor in this situation has a third happy alternative. If shares are held in a company which is likely to be the target for a bid, whether welcome or not, there is the possibility that other groups might decide to increase the offer price.

The shareholders can sit back and let the competing forces fight it out. The final result must be to their benefit, irrespective of who wins the battle.

The drawnout competition for control and reorganisation of the fertiliser industry was an example of that activity. While the exercise might have been unsatisfactory in terms of procedures in the securities industry, most of those involved came out with a gain on their investment, although, as usual, some were more equal than others.

The first three to four months of this year have seen so much activity that the remaining eight months offer good scope for speculation of both the mental and investment varieties.



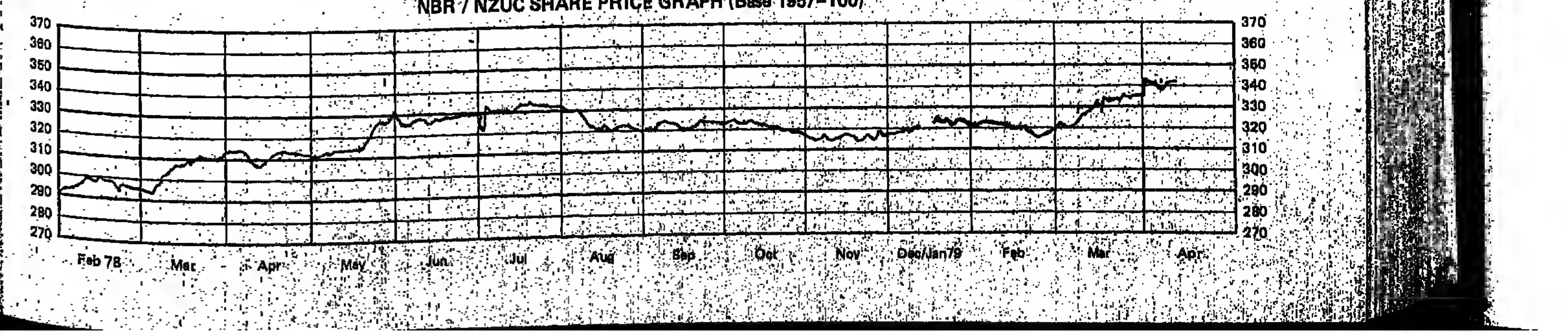
NBR SHAREMARKET SURVEY

WEEK ENDING APRIL 12, 1979

1979 High	1979 Low	Company	Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P-E Ratio
106	100	AIRWORK,50C	103	...	...	15.0	0	5.0	3.2
201	190	AJAX G.K.B.	205	205	305	15.0	1100	4.5	4.5
101	90	A.J.BHITS	105	103	105	11.5	3200	11.0	4.9
150	115	ALCAN,50C	148	148	145	20.0	17200	4.8	5.1
215	140	A.H.I.	245	245	245	14.0	10700	5.7	4.2
76	72	ALLZANCO,50C	74	74	72	15.0	10200	0.8	4.3
265	230	ALLIED FARMERS	235	255	250	14.0	3700	3.5	4.4
110	125	ALLIED FRISB	125	...	...	10.5	0	.0	4.9
226	120	ALLOY STEEL	220	...	...	15.0	0	5.5	8.7
		AMALG.BATTS	160	...	...	15.5	0	5.4	4.4
112	185	A.M.OGILVY, 50C	105	185	185	20.0	4600	5.4	3.1
56	85	AMPOL PET.,50C	85	85	85	11.0	800	6.5	13.3
141	125	A.GRAVEN	135	155	135	15.0	5000	8.0	5.4
125	113	A SPRINGHALL	115	115	115	14.0	400	11.2	2.5
140	260	A.WRIGHT	260	...	...	17.0	0	6.5	3.1
215	126	A.BASSETT	215	...	...	14.0	0	6.5	3.8
110	115	A.ELLIS	135	135	135	11.0	1400	5.1	3.6
110	281	ARTHUR YATES	300	300	500	17.0	55000	5.7	5.5
315	175	ASHBY BIRON	310	...	...	25.5	0	1.3	3.8
160	118	A.S.PATERSON	260	260	250	15.0	8800	3.8	0.8
205	171	A.B.CABLES	205	205	205	16.5	100	0.0	5.0
50	49	ATLAS, 50C	58	58	56	17.5	13600	15.1	5.2
165	310	AUCK.GAS	345	545	345	12.5	300	3.6	14.0
		AUCK. INTERCON. PROP	170	...	...	5.0	0	4.5	15.9
225	190	AURORA,50C	190	100	100	14.0	3000	3.7	9.5
		A.C.I.	198	...	...	0.0	0	4.5	7.0
90	80	AUTOCRAT HOLDS	90	90	00	17.5	600	19.4	1.6
36	50	BAILLIE,50C	31	57	57	10.0	2100	8.8	6.9
70	14	BALLINS,50C	77	77	76	15.5	14400	8.1	4.2
411	410	BANK N.S.W.,$2	475	415	415	15.0	350	1.2	3.1
82	66	BEACH PETR.,50C	66	...	...		0		
76	63	BING HARRIS, 50C	65	68	64	15.5	128500	9.6	1.7
161	165	B.N.Z. FINANCE	100	180	180	15.5	1300	6.9	6.3
54	42	BRANDLAS BURRETT,50C	50	54	50	12.0	5200	11.0	5.0
53	50	BRIDGEVALE,50C	50	30	90	0.0	500	6.0	4.3
210	201	BRIERLEY, 50C	240	240	127	28.0	27600	3.8	4.6
17	65	BOS, 50C	70	70	70	16.0	3400	11.4	7.3
		BRIT.PAVEMENTS	200	...	...	1.0	0	3.3	6.0
66	58	BROADLANDS,50C	61	61	61	14.0	48800	11.5	4.3
1440	1120	B.H.P.,$2	1430	1460	1410	11.0	2200	2.4	50.6
93	03	BROTHER, 50C	95	05	93	20.0	200	10.5	3.2
65	60	BUNTING,50C	61	...	...	11.0	0	9.0	5.5
158	150	BURNS CAT.,50C	138	...	...	22.5	0	7.1	7.3
148	116	C.P.D.	148	148	142	14.0	13600	9.5	7.3
185	160	C.T.O.A.	165	183	185	15.0	1000	8.1	7.2
140	130	C.F.M.	175	180	175	15.5	2800	7.7	5.1
195	145	CANT.FLOUR	145	...	...	15.0	0	10.3	1.9
166	140	CANT.TIMBER	180	180	173	...	10100	...	...
750	160	CAPITAL RADIO,50C	230	250	250	...	3100	...	36.8
14	33	CAPITAL LIFE,50C	35	...	...	10.0	0	9.1	7.5
310	310	CARBONIC ICE	310	...	...	14.0	0	4.5	10.4
225	206	CARTER HOLT	218	220	218	15.0	9600	6.9	4.2
188	135	CERAMCO	104	185	183	14.0	4200	7.6	5.3
216	180	CHALLENGE	2313	216	210	12.5	40100	.5	47.9
105	05	CHEMSERT	105	105	105	10.0	800	9.3	5.7
125	113	CHCH.GAS	125	125	115	7.5	700	6.0	6.1
133	220	CHCH PRESS	235	233	235	14.0	300	6.0	6.1
35	25	CITY REALTIES,40C	35	33	35	13.0	2500	3.7	5.6
150	00	CLASSIC FASHIONS,50C	90	90	90	15.0	1100	8.3	3.1
95	85	CLYDE ENG.	90	90	90	12.0	1600	13.3	3.3
190	140	COL.MOTOR	190	100	100	11.0	300	5.8	7.4
150	122	COLYER WATSON	143	145	143	...	22100	...	...
325	118	COMALCO,50C	293	295	295	20.5	200	5.8	30.4
160	120	COMMAND	170	170	120	11.5	4700	5.2	2.7
		COM.BANK AUST	320	...	...	16.0	0	5.0	11.1
178	140	CON.METAL,50C	175	173	170	16.0	8300	4.6	18.7
64	8	CON.SILVER,20C	64	...	...	...	0	...	...
210	160	COOKS WINE	248	250	240	5.0	14600	2.0	8.5
101	90	CORY-WRIGHT	97	07	05	11.0	1400	11.3	3.3
760	725	CROWN CONSOLIDATED	260	260	250	15.0	2300	5.0	4.8
450	404	C.S.R.	450	...	...	15.0	0	3.3	13.1
112	80	CYCLONE,40C	110	110	110	13.0	300	5.5	6.4
210	193	DALGETY(N.Z.)	210	210	205	13.3	20100	6.0	7.7
53	41	DALHOFF & KING,50C	75	31	58	13.0	5900	11.3	3.0
195	210	DBANSS	290	200	290	15.0	1100	4.1	6.9
115	130	D.I.C.	133	155	133	14.5	6100	9.4	4.5
170	165	DINGWALL & PAULGER	170	...	...	...	0	...	...
140	90	D.MCL WALLACE,50C	135	136	133	11.0	31000	4.1	4.1
80	73	D.I.B.A.	80	...	...	8.5	0	10.6	9.9
108	00	DOM.BREW.,50C	101	104	101	17.0	38350	8.4	8.5
135	100	DONAGHY'S	250	280	275	15.0	1700	5.4	3.4
142	200	DONALD REID OTAGO FARMER	240	...	...	15.0	0	6.3	8.5
51	01	D.R.O.,50C	83	82	83	13.5	30000	8.2	5.3
110	200	DUNLOP (AUST)	245	...	...	10.0	0	4.1	12.1
295	200	DUNLOP (NZ)	255	255	335	20.0	6300	7.8	4.9
110	107	E6OBTY	110	110	110	15.0	300	10.0	3.0
91	78	3602,50C	46	86	83	10.0	3600	5.8	0.4
131	123	2 L'STEIN,50C	138	138	137	18.0	1500	6.5	5.8
71	71	EMPEROR MINES,50C	71	71	71	...	8000	...	1.8
108	185	EQUIT.BLDG	107	...	...	12.5	0	11.7	0.8
714	95	E.ADAMS	195	...	...	13.0	0	6.2	7.6
76	10	F.T.C.,50C	96	08	05	15.0	17100	7.8	5.1
109	97	F.WAIHAK,70C	70	...	...	13.5	0	8.0	4.1
135	170	FALTOX,50C	104	108	104	16.5	28100	7.0	5.0
296	303	FIRESTONE NZ	135	135	132	...	1500	...	...
213	198	FIRTH	506	...	...	10.0	0	7.8	4.1
125	120	FLETCHER	230	222	316	10.0	25800	8.2	4.7
111	53	FOUNTAIN CORP	125	...	...	15.0	0	12.0	4.2
130	123	FREIGHTWAYS, 50C	113	113	111	10.0	8700	7.1	8.1
145	115	GEAR	125	125	155	...	2500	...	2.6
100	95	GEN.FINANCE	145	145	140	15.0	41300	8.3	6.0
		G.COURT	100	100	05	11.0	4000	11.0	6.3
275	31	GIANT	78	...	...	5.0	0	7.5	2.9
53	50	G.J.COLES,50C	41	...	...	24.0	0	14.8	5.7
35	29	GOLDEN EAV.,50C	55	32	32	15.0	40600	11.5	5.6
240	185	GROSVENOR PROPS, 25C	35	35	34	0.0	2000	5.7	15.2
310	160	HALLENSTEIN	235	235	235	16.0	2800	6.8	5.5
181	100	HARLEY	320	...	...	13.0	0	4.1	19.7
42	62	HAURAKI ENTERPRISES	100	180	170	30.0	7100	.0	10.0
02	75	HAWKINS,50C	78	78	70	17.0	5000	10.9	3.8
212	140	HAYWRIGHTS	77	85	77	15.0	5500	10.5	0.0
540	263	H.B. FARMERS	200	200	300	...	3250	...	...
175	143	HELLABY	330	350	325	16.0	4100	4.0	10.4
121	132	H.POLLARD	175	375	173	12.5	3200	7.1	6.0
161	350	HENRY BERRY	158	158	152	18.0	4500	11.4	4.4
		HODDER & TOLLEY	563	585	305	17.0	1600	6.4	4.4
135	174	HOOKER,50C	70	...	...	15.0	0	10.3	4.8
756	110	I.C.I.(AUST)	155	...	...	15.0	0	0.7	4.6
115	165	I.C.I.(NZ)	150	188	155	13.0	18300	0.0	17.3
135	123	IND.BROADCASTING	215	...	...	11.0	0	5.1	0.0
150	145	INDEPENDENT NEWS	133	...	...	13.0	0	10.6	4.7
130	110	IND.CHEM,50C	150	...	...	15.5	0	5.2	2.6
181	110	I.W.GOV.,50C	125	125	134	17.0	7700	0.8	4.8
101	05	JAMES AVIATION	150	180	180	15.5	400	7.7	2.6
241	515	JAMES SMITH 50C	105	105	103	10.0	600	7.6	0.7
240	116	J.B. WATSON	235	325	535	15.0	100	6.7	4.6
160	110	J.BURNS	540	240	190	15.5	59600	5.2	12.1
		JOHN EDMOND	155	155	155	14.0	1500	9.0	3.9

1979 High	1979 Low	Company	Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P-E Ratio
68	55	J.WEBSTER 50C	68	68	60	18.0	200	11.8	4.3
123	113	J.NATHAN	115	...	...	18.0	0	15.0	8.5
175	170	J.WATTRAY	176	174	174	12.0	500	8.9	5.4
210	210	[illegible]	210	210	210	...	200	...	50.0
80	07	L.W.BUDNIN,50C	80	80	70	14.0	12300	4.8	5.3
52	45	LANES,50C	32	...	...	10.0	0	9.0	3.0
212	180	L.D.NATHAN	112	213	202	15.0	5400	6.1	8.8
05	85	LSTLAND,50C	95	95	95	12.5	200	6.0	8.6
00	71	LION	70	50	70	15.0	108100	9.8	7.1
35	15	L.&M.OIL,50C	30	30	27	...	54000	...	...
253	253	LUSTRO10	255	...	...	17.0	0	6.7	2.9
125	112	MAINZEAL CONS,50C	125	125	125	15.0	600	6.0	4.0
205	17	MAIR,50C	205	105	200	25.0	7800	6.1	4.9
110	100	MANAWATU,50C	110	...	...	16.0	0	7.3	4.6
170	155	MANTHEL	170	170	170	10.0	2000	8.9	8.5
100	170	MARAC	150	150	180	15.0	5300	0.3	5.9
140	130	MCALPINE,50C	140	140	140	16.0	4100	8.7	0.0
165	165	MCKECHNIE	165	168	165	16.0	800	0.7	4.5
70	68	MCKENZIES,50C	60	...	...	11.0	0	8.0	5.1
		MED.SUPPLIES	235	...	...	15.5	0	8.3	5.4
180	123	MIDLAND	160	160	155	12.0	5800	7.5	4.7
20	12	MIN.RESOURCES,20C	20	...	...	...	0	...	...
72	53	M.O'BRIEN,50C	72	12	72	10.0	400	6.0	2.2
135	115	MONTANA,50C	131	151	130	1.5	17700	2.9	34.5
170	130	M-P.I.M.	150	150	150	15.3	200	8.3	6.4
236	125	MOBOIBL	138	140	158	15.0	25000	0.6	5.8
39	50	MOTOR HOLDS.,50C	58	38	36	15.0	4600	12.0	3.0
90	75	MOTOR TRAD.,50C	87	90	85	14.0	4300	8.0	3.4
		M.S.D.-SPIERS	130	...	...	10.0	0	7.7	3.9
110	100	MSI CORPN,50C	118	118	114	16.0	33400	0.8	7.4
283	170	MT.COOK	260	265	255	13.0	43000	3.0	17.4
395	260	N.I.M.HOLDS.,50C	380	380	300	6.0	2000	.8	54.2
100	170	NAT.INSCE	200	200	200	17.0	8700	8.3	4.7
		NAT.PICTURES,$2	172	...	...	5.5	0	6.4	15.1
125	120	NAYLOR	115	115	125	12.0	1400	9.6	3.4
		RCF RALAFOI	113	...	...	4.0	0	3.5	4.1
51	51	NEIL HOLDINGS, 50C	53	54	53	12.0	23300	11.3	1.1
114	100	N.Z.CEMENT	100	103	100	15.5	11000	12.3	5.7
96	81	N.Z.F.C.,50C	94	04	92	13.0	9400	6.9	4.4
191	185	N.Z.FARM FERT.	190	190	188	15.0	5500	8.8	6.3
148	200	N.Z.F.P.	242	148	233	15.0	120300	6.2	0.4
325	280	N.Z.I.S.	315	315	325	14.0	600	4.3	14.1
153	237	N.Z.I.	212	152	230	10.0	8800	7.9	0.9
06	18	N.Z.LAND,50C	20	10	18	5.0	2100	12.7	1.0
106	90	N.Z.LEATHERS	106	106	100	...	33300	...	...
111	102	N.Z.MOTOR BODIES	110	...	...	10.0	0	9.1	7.0
118	108	N.Z.U.C	116	116	116	12.0	7700	10.3	3.3
178	165	N.Z.NEWS	174	174	172	16.0	13700	9.2	7.3
200	142	N.Z.PASTORAL	170	170	170	10.0	700	5.0	10.5
35	11	N.Z.PETROL,70C	35	35	35	...	400	...	...
87	78	N.Z.REFINING	86	87	88	7.8	9700	9.1	2.8
102	165	N.Z.STEEL	152	188	172	11.0	15600	0.0	3.3
160	148	NZTS,50C	170	170	150	18.0	3500	6.0	6.7
110	315	N.Z.UNITED	310	...	...	20.0	0	3.7	8.6
106	100	NITRE INDUSTRIES	105	105	105	6.0	1000	5.7	6.7
102	62	[illegible]	75	75	75	...	1700	...	...
68	50	ODLINS,50C	60	60	58	11.0	76000	10.8	1.9
48	63	OPTICAL GLOSS, 50C	70	60	78	12.5	6200	8.0	4.2
150	137	PAVNOC HOLDINGS	135	...	...	...	0	...	...
108	108	P.D.L.HOLDS.,50C	165	105	105	15.0	5800	6.2	6.3
00	90	PENN.INVEST	40	...	...	11.5	0	12.8	6.0
106	104	PHILLIPPS & IMPEY,50C	105	105	103	15.0	75900	7.1	4.8
95	92	PRESTIGE,50C	92	...	...	15.0	0	8.2	4.1
160	15N	PAINT & PACKAGING	155	160	153	13.5	2100	8.7	5.9
375	420	PROGRESSIVE	350	350	350	11.5	1100	3.3	5.9
185	165	PROP.SECURITIES,40C	185	185	185	27.0	1700	6.8	6.0
105	100	PROD.OUTLETING	100			11.0	0	11.0	4.4
125	85	PYE SLECT.,50C	86	84	80	15.0	3300	7.6	2.8
150	128	QUILL HUMPHREYS,30C	130	130	130	14.5	800	8.0	5.4
305	200	RADIO AVON,50C	300	300	285	35.0	3800	5.0	0.4
330	880	RADIO OTAGO	880	...	...	10.0	0	3.6	6.7
100	93	REBINA	95	...	...	11.0	0	11.4	4.3
225	100	R & W HELLABY	218	218	213	13.0	3000	6.0	5.0
100	74	REECO(NZ),50C	80	80	70	12.0	5600	7.5	4.1
6	3	REPUBLIC PET.,30C	6	...	...	...	0	...	...
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NBR / NZUC SHARE PRICE GRAPH (Base 1957=100)



Super Arabian apple juice export deal... flops

by Warren Berryman

LAST month good old New Zealand apple juice turned up in Auckland shops with the tin labels printed in Arabic. Apple and Pear Board regional manager, Kevin Pope explained: "There has been a breakdown in the production of the normal labels, so we have directed some of the Middle East exports onto the local market."

Then Alex Harvey Industries began selling "Classic" apple juice, apple and orange, and pure apple juice to its 6000 employees at prices 40 per cent less than retail. All the tins were printed in Arabic.

Last week the cat was out of the bag. The joint marketing venture between AHI and the Apple and Pear Board to sell the juice in the Arabian Gulf had flopped. Both Jim Bremner, general manager of the APB and David Wilson, general manager of AHI's metal container division acknowledged that early market estimates had been overly optimistic.

Last year AHI's Bahrein based agent Rob Gregory estimated potential apple juice sales to the Gulf States at $4 million.

To date only about $300,000 worth of juice has been sold.

It is understood the APB had nearly $1 million worth of juice in Arabic printed tins before they realised sales would not be all they were cracked up to be.

The APB-AHI joint venture started in November 1977. Rob Gregory, Bahrein born and British educated was AHI's man on the spot selling building products through AHI-Contact Marketing Ltd; a company owned 50-50 by Gregory and AHI.

Gregory surveyed the Gulf States market and found there were 376,000 cans of fruit juice drunk in 1976 in Kuwait, Bahrain, Saudi Arabia, Qatar and the United Arab Emirates. Of this consumption, 54 per cent was in Kuwait and Saudi Arabia with 75 per cent of the juice imported from Japan. Laboratory tests conducted in New Zealand on the juices sold in the Gulf showed the bulk of them to be little better than syrupy lolly water.

New Zealand's Fresh-up was pure juice. And Gregory was enthusiastic about capturing part of this market for the APB. (See NBR June 14, 1978).

AHI's metal container division supplied the APB with about $3 million worth of tins a year. They sent their export manager, John Pryor to Bahrein. Pryor said he and Gregory set a target for the APB's juice at two per cent of the total market.

AHI entered into a gentleman's agreement (nothing formally written) with the APB. AHI was to supply the printed tins. The APB was to fill and deliver them to the Gulf against AHI's export orders, and be paid by AHI.

The APB had previously tried to break into the Gulf market with minimal success.

AHI planned a $70,000 Arabic television advertising campaign and Gregory had orders for $250,000 worth of juice even before it started.

And then things started to go wrong.

Kuwait television, which also serves Saudi Arabia, bowed to pressure from the Saudis to cut back commercials just as AHI's ad campaign was about to begin. The Kuwaitis cut commercials by 90 per cent and boosted the ad rates by 400 per cent — which cut AHI's campaign to a quarter.

Then two container loads of apple juice — 3000 cases worth $18,300 — were left by a distributor in a non-airconditioned warehouse. Temperatures up to 50° C caused the tins to bulge. Kuwaiti Health Department tests showed the product to be safe to drink. Only the shelf life of the product had been shortened. But consumer resistance was expected to bulging tins.

To retain goodwill in the Kuwaiti marketplace AHI will probably have to accept a total loss on the shipment. It has yet to decide on how to dispose of the bulging tins.

Juice sales were not even approaching the initial enthusiastic estimates and AHI formed a new marketing team.

John Pryor, AHI's enthusiastic marketeer, who had been working on a full range of tinned foods for the Gulf market, was demoted. As Pryor puts it: "I resigned when it was clear there would be no job left for me."

The new marketing team started with a desk survey questioning the initial marketing assumptions and concluded that these had led to an over estimate of the potential market for New Zealand's juice. The team later went to Bahrein to confirm the view in November-December 1978.

But by this time the APB had its tinning programme in motion. Classic apple juice for the Gulf is the same as Freshup's old fashioned label sold here. It is made from fresh apples — not juice concentrate — and is timed as the crop comes in.

Sources say the APB based its production of juice in Arabic printed tins on AHI forecasts given in January 1978.

The difference between the forecast and the actual sales left AHI holding a lot of apple juice. AHI moved some of this stock selling it at a discount to its employees and close business associates.

AHI also came to an arrangement with the APB to have the APB sell the remainder on the domestic market.

Fortunately for all parties, the Freshup ad campaign featuring John Walker, boosted domestic sales by 40 per cent this year and consumers don't seem to mind drinking from a tin with an Arabic label. It might even add an international flavour, one marketing source quipped.

APB general manager Jim Bremner said while AHI's forecasts were too high he was reasonably happy with the level of sales to the Gulf. The stocks of apple juice for the domestic market were at a reasonable level, he said.

As a marketing exercise, the foray into this difficult and highly competitive market might not be a total washout in the long run. AHI Metal Container's new export manager, David Sixton, said he had learned some lessons in this marketplace.

He said, about 80 per cent of the juice sold went through small drink huts. There, the Arabs wanted a small, cheap five ounce tin — not the large expensive Freshup sized can currently supplied by the APB. New Zealand would have a tough time competing with the Japanese in these small tins, he said.

The remaining 20 per cent of the market is catering to the ex-patriot oil community and wealthy Arabs. Of this, 60 per cent is for orange juice and only 10 per cent for apple juice. So apple juice is only 2 per cent of the total fruit drink market — until tastes change.

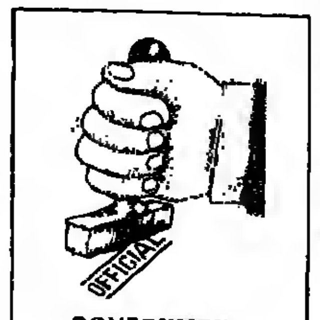
Sixton thought a reasonable target for the first year's sales was .5 per cent of the market.

Future sales of apple juice might be in big bulk tins where canning costs were less sold up-market, where the big distributors like to deal and where the target consumer has the money to buy a luxury class pure fruit drink. This is all a long way from the $4 million sales estimates of last year.

JOHN WALKER . . . ad campaign saved AHI's bacon.

State project proceeds despite legal action

by Belinda Gillespie



GOVERNMENT ADMINISTRATION

TWO Government departments are arrogantly proceeding with preliminary work on a new building, despite the fact the validity of the scheme is the subject of legal action in the Supreme Court.

It will test the teeth of the Town and Country Planning Act 1977.

The point to be decided is whether Nelson City's district scheme has any real meaning, or whether it can be circumvented when Government bureaucrats want to put up a big building to fit their needs to the detriment of those of the locals.

Government proposals to build a new Chief Post Office in Nelson have brought the Act's provisions into question.

Postmaster General Couch announced in January that the contract for the Post Office and telephone exchange had been let to C Lund and Son Ltd, of Timaru, at a price of $4,648,573.

The Post Office says that, from the outset, planning had been undertaken in close consultation with the Nelson City Council.

Nelson has been without a post office for 10 years. And councillors who initially opposed the plan ended up agreeing with it, rather than be seen standing in the way of progress.

"The planning and design of a building of the size required is a lengthy and costly exercise," said Post Office spokesman Geoff Leigh.

"While there has been some local opposition, more particularly regarding the size of the building, the needs of the Nelson people for Post Office services for many years ahead have been catered for."

The plaintiff in the Supreme Court case is the Environmental Defence Society, which is suing the Crown under section 116 of the Town and Country Planning Act 1977.

The Post Office building departs from the district scheme in respect of both height and parking requirements, and the EDS believes the Crown must either obtain a departure, or have the land designated for the proposed building.

The Crown takes the view that as offices are "predominant uses" within the city district scheme, it is not legally obliged to take these steps.

Tony Doogue, the Nelson lawyer acting for the EDS, argues: "If the Crown is going to take a similar view on all cases then the apparent intention of Section 116 is eroded and the position — will not be so very different from that under the old Town and Country Planning Act."

The EDS became involved when it realised there was strong local feeling in Nelson that the proposed Post Office left much to be desired.

In an area of the town where the highest building is around 17 metres, the Post Office clocktower will rise to 47 metres. The rest similarly is out of scale with surrounding buildings.

Locals believe also that it will inhibit commercial redevelopment in the city, where much recent building has been only one or two floors, with little demand for new office space on upper levels.

The city council initially wanted $200,000 as cash in lieu of off-street parking requirements, but in the end agreed to a Post Office offer of only $65,000.

Although the building is sited on one of Nelson's busiest intersections, the Post Office appears to have made no real provision for parking in its plans.

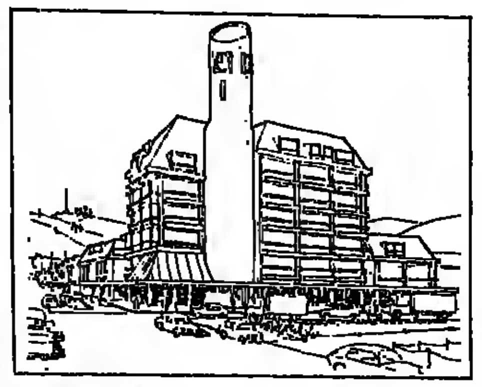
Informed sources say that the various authorities involved have ended up with a building they consider an embarrassment, but are powerless to stop.

Nelson residents wanted little more than long-overdue restoration of central Post Office facilities and reuse of the clock from the old Post Office.

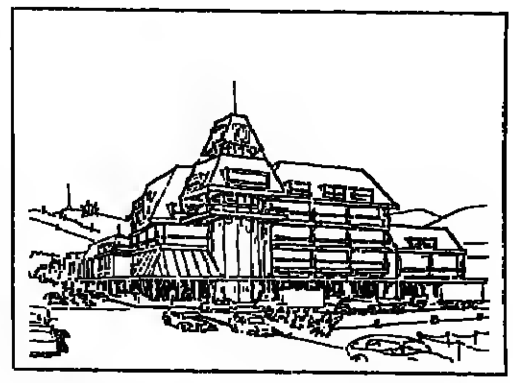
But the plan had to be modified — even in this respect as the round tower in the design didn't fit the old clock.

If successful, the EDS action may be one way of stopping a juggernaut which has been given the bureaucratic seal of approval while individuals involved have grave reservations. It may also point to deficiencies in the Town and Country Planning Act, which variously has been described as badly thought out, frustrating, a bureaucratic nightmare and an economic burden.

The Act does call on the Crown to take some responsibility. Before 1977 no permit was needed for the Government to do its own building. The Nelson building straddles the period of the new and old Acts, when the Crown applied for a permit. Then it found that its plan didn't comply with the regulations, which it is now trying to sidestep.



NELSON POST OFFICE . . . the way Government wants it.



NELSON POST OFFICE . . . the way some of Nelson wants it.

Taxman chases equity pay

HARBOUR Board employees might be the next group to cross swords with the tax inspector over parka after aircraft engineers at Christchurch and Auckland.

The national union wants to distribute "equity pay" levied on all containers loaded or unloaded outside the wharf gates, from a superannuation fund to avoid a 48 per cent tax rate.

Harbour board employees get one seventh of the payment, which is now costing the shipping lines close to $1 million a year. Watersiders get the rest.

Port workers struck for the payment in 1971 and it is now automatically paid by the shipping lines, and built into freight charges, at the rate of 90 cents per tonne.

Now that 80 per cent of containers are packed and unpacked outside the wharf gates, the watersiders are getting paid for speeding the boxes on their way. The payment is almost unique to New Zealand and is demanded only at some ports in the United States.

The watersiders share is administered by the quasi Government organisation, the Waterside Industry Commission which collects money from the shipping lines and deducts the tax for the watersiders.

Kitset clothes service a nation of dressmakers

by Elizabeth Henry

WHEN fashion designer Trish Gregory started a business in Wellington two years ago, she took a good look at the market. What she saw was "a nation of dressmakers"; of woman who like high fashion but are also "quite canny". Her onswer was kitset clothes — her own designs cut out and ready to sew, at about half the price of made-up garments.

Trish and her husband Jim launched their business — Trish Gregory Fashiona (New Zealand) Ltd — from their home in Wellington, starting with one design. Now, two years later, they are working to the full limits of their inner-city factory, turning out 500 garmenta a week. Retall sales peaked last October at $36,000 for the month.

Main concarn of the Gregorys now is to control that growth. "It would be very easy to expand too quickly. We don't want to lose quality at the expense of quanlity," says Trish Gregory.

Tha current autumn-winter range features 30-40 designs. Trish draws tha designs and chooses all the fabric, and Jim Gregory, with five years' engineering axperiance, handles the cutting.

And then the fabric pieces are packed in a plastic pack, with an instruction sheat for the home sewar. But as Trish is quick to admit, you can't try on a pack, so tha marketing set-up becomes crucial.

She has a network of consultants as the front line in tha operation. They follow up inquiries by visiting customers at home with catalogues of designs, and ssmples of made-up garments. And to furthar show off the product, they will set up small fashion showa in private homes. Gregory aees it as taking tha salon to the peopla. "We're not just selling a product, but a look — a way of wearing clothes and putting them together. We need this sales system."

When the business began, the kitset packs wara marketed through Bernina shops and Jamea Smith Ltd but this was not entirely successful. Gregory puts it down to customers' caution about new ideas, and the problem of male managers trained to sell machines who couldn't identify with the product.

So, on the basis that "there's no selling without effort", the home sales system went into operation. Comperisons with the Tupperware party plan system are obvious. Gregory insists sha hates the whole systam of party plan and doesn't like pressure selling. But she finds the network of consultants a good way to introduce a new product. She has just appointed a personnel manager to train and look after the team of consultants, and hes recently expanded to include sales people in Auckland and Christchurch. This brings the team to 30. All are paid on a commission basis.

Eventually, the Gregorys expect the company will go retail, cutting out the week-long delay on delivery of kitsets after home orders. Meantime, the packaging is seen as important to reinforce tha initial impact at the time of sale. Trish Gregory is enthusiastic about trying a smert, re-usable box to replace clear plastic bogs.

Kitset clothes may well avoid the high cost labour-intensive step of making-up, but there are other problems. Gregory finds people "very fussy — sometimes pin-pricking", and to avoid any problems she is scrupulous about discording fabric pieces with any faulta. Often these faults might not be noticed in a ready-made garment. This results in a lot of wastage.

Designing the garmenta for kitset is a discipline, occording to Gregory, as the styles have to suit different figures, and the garments must be within the scope of people with average sewing ability.

TRISH GREGORY . . . sells a way of wearing clothes.

"In fact," she says, "if the designs ore well cut and well thought out you can almost get away with bad stitching."

Having reached the full potential of their Wellington factory, the Gregorys are looking for bigger premises; and — like so many young business people — feel the cull to Auckland. With half the country's population north of Hamilton, a move north would open up wider markets, and would cut freight costs from the fabric warehouses based there.

Trish Gregory sees advertising as important but admits she hasn't done much so far. Cuples of a simple threa-fold publicity brochure giving the local consultant's name and phone number are distributed to places like hairdressers. Otherwise, sales appear to rely on word of mouth.

The idea of breaking new ground in tha fashion business came after a year at London's Royal College of Art Fashion Design School, a stint on Vogue magazine, and at the International Wool Secretariat, London under a QEII Arts Council Award. Before that Gregory ran two boutiques in Timaru and picked up the Benson and Hedges Fashion Awards — New Zealand's accolade for good fashion design.

She applied for the QEII Arts Award because she wanted fashion design recognised as an art form. Her experience in Europe changed her way of thinking about fashion and brought her valuable contacts in Spain.

While visiting Spain's design school, she met manufacturers who bought some of her designs and contracted her to do regular ranges. She also designs a ready-to-wear range in Wellington.

Some retailers have applied for the franchise to carry kitset clothes, but Gregory says: "The company isn't ready. We haven't made all our mistakes yet."

While local prospects for kitsets look bright — Gregory sees little export potential. "The idea of importing fabrics, only to chop them into pieces and export them again would be pointless. There is, of course, the possibility, of the kitsets being made under licence."

But she is interested in designing a range of [illegible] for export. "Our big thing [illegible] New Zealand is [illegible] should concentrate on [illegible] Why should overseas [illegible] purchase if we are [illegible] imitate them. We should [illegible] them something they can't [illegible] in Europe."

Direct market symposium

FOR tha first tima, e Pan-Pacific Direct Marketing Symposium will be held in Sydney in June. About 350 direct marketers ara expected to gather at the Wentworth Hotel from Japan, Hong Kong, Singapore, Philippines, United States, New Zeeland and Australia. An equipment and merchandising exhibition will be held conjointly.

There is a promise of en impressive speaking line-up headed by Larry Chait, well-known to New Zealanders through his seminara in this country. Speakars includa: Ed McLean, direct meil and mail ordar; Peter Rosenwald, direct marketing advertising agency; Peter Hoka, direct markating magazine publisher; Lester Wintz, practitioner; Murray Roman, telephone marketing; Kevin Gregg, marketing collectable items; and Dick Leahy, life insurance. All ara Americans.

The screen scene

IT'S a pleasure to go on record with the positive statament that the standard of local TV commercial production is measurably better.

Admittedly, the biggest proportion can still ba classified as direct but undistinguished sell, though there's no sin in that. But we are seeing ads with more imagination, tighter production, and, in particular, good sound and effects tracks. Here are some that justify comment — one way or another.

"You wouldn't litter your own home," say these two anti-litter commarcials showing people in one throwing refuse into a swimming pool and in the other scraps from the dining table on to the floor.

"New Zaaland is your home," the commercials concluda. They seek and gat a shock rasponse. Simple looking commercials but damending precise timing and cloae co-ordination throughout. Highly orginal end effective if anything can affect the litter louts.

Car buffs will scream when we say that all cars look much the same to us so that car commerciala tend to have an essembly line eppearance.

Perhaps that's why producers try to place them in any setting — beach, grassy meadow, alpina plateau — which has no resemblance to their native habitat, the highway.

The newest Todd Motors commercial in fact, prefera the skyway. In what initially seems to ba a contrived situation, it delivers modal eftar model by chopper from the heavena.

But it's e commarcial you can live with, partly becausa it runs at breathlesa speed, partly because of the atmosphere of suppressed axcitement it engenders with suggestiona of a para-military commando raid and in particular for a wholly superb sound track that is totally compelling.

Next time it's on screen, shut your eyes and listen.

You've aaen the State Insurence commercial where cars are bashed, smashed end crashed in a stock car type phantasmagoria.

Well, we concede that all these models could well have been writa-offa befora the camera even started to roll.

But does the audienca know that — or are they thinking that eny waste or destruction is justified so long as those advertising boys get their shots?

Do we really have to have such a big production number, with complex sets, big casta, sexy overtones, all to frame such e significant message as "Nothing matches matches?" Or is it a clessic case of overkill?

EMI's Beach Boys commercial for 20 Golden Greats with its cute cutting of zany repetition movaments gets chuckles, wins attention.

Who wouldn't give their ears to be able to cast Bruce Forsyth in a commercial. What a professional — mobile, flexible, cueing with impeccable timing and all the time ralating aotidly to that unseen TV audience.

But just remember, he was but one component of four commercials and everything else had to be right — cast, script, setting, lighting, timing — and it was. And did you ever see a smile that said "cheese" so clearly?

ADMARK

Wiping radio hypers

WITH increasing acceleration, radio has become a hot medium — all over again. So BCNZ's next audience research results are being eagerly awaited by stations and egencies alike. Due to e change in methodology, the first 1979 raport will not be publiahed until next month.

Few pieces of research have ever escaped criticism, most of it badly misinformed, end BCNZ has had its share of flack. Bacauae subscribars knew in advance when the survey was being conducted, it was possible to stage special promotions which would coincide with the fiald work and consequently hype the result for that station.

BCNZ could then be taxed with providing an historical result that had little relevance to the continuing listenership pattern.

"When stetions were busy promoting themselves," David Gardiner, supervisor of BCNZ's Audience Research unit, told Admark, "we did not consider the radio statistics reflected the longer term situation. Late last year we extended the aurvey period transitionally from four to eight weeks and this year to a 12 week period, spreading the same number of interviews over e longer time span."

Gardiner said that the effect would be to iron out any week to week varistions and more accurately portray the average performance of the station. "It will provide a more rellabla basis on which to maka buying decisions," he said.

As three surveys are planned annually, it means that there will be almost continuous field work but results will be publiahed only at the end of each period with no interim reports as previously.

How is tha new concept being received? "We've had a favourable reaction from the audienca research advisory council end, individually, aganclee have endorsed it whole-heartedly. Private radio in general has given it a good reception as evidenced by a grester interest than usual in purchasing the results.

"It would seam that this format may provida the answer that subscribers want," eaid Gardiner.

PRINZ at Congress

ABOUT 1000 delagates from around the world are expected to attend the Eighth Public Relations World Congress in London next month. Its theme is "Challenges of a Changing World".

Tom Brockett, Network director in Chriatchurch, will not only represent the Network Group but will be the official representative of PRINZ. Following the Congress, he will attend o post Congress course run by the International Public Reletions Association for PR professionals.

To jog or not to jog splits medical ranks

by Belinda Gillespie

TO run or not to run is a leading health question. Even the bland public facade with which doctors disguise rifts in their professional edifice has shown a few cracks, and petty squabbling has broken out in the pages of the New Zealand Medical Journal.

It began last October with a paper on jogger-induced injuries, published in the journal. The ensuing correspondence kicked off with a quote from one J Apley, author of "So we'll go no more a-jogging". He wrote of the "underwhelming" evidence that jogging is beneficial, and mentioned such conditions as jogger's kidney, jogger's breast, and jogger's nipple.

Proposing the formation of a Joggers' Anonymous, the correspondent wrote: "To try to convince the addicted jogger that the practice could be harmful is likely only to increase his heightened anxiety. Self-help groups which have achieved much in another field could help here;


GOOD HEALTHKEEPING

recovered joggers could do much to help those who are still afflicted."

The writer was attacked by his colleagues for doing a "disservice to the health of the community". Evidence was invoked to show that jogging reduced anxiety, helped overcome minor foot and leg disorders, and reduced coronary risk factors — "all of which can easily be treated with more and more drugs prescribed by less and less active family doctors".

"It is easy to sneer from the armchair at the unshapely figure as it labours past," said another, "but what profit is there in this?" Nihilistic attempts to destroy the enthusiasm of joggers were criticised, and the medical cliche "there is no evidence to show etc" deplored.

"Jogger's Heat Stroke" is the most recent "anti-jogging" paper in the Medical Journal, appropriately published at a time of year when mass jogs and runs-for-fun are endemic throughout the country.

The writers note disapprovingly that jogging is increasing in popularity, despite its ill-defined benefits. Mass jogs, they say, introduce a competitive and strenuous element into an otherwise "moderately innocuous" pastime. They report on the effects of a mass jog involving 8000 runners, seven of whom collapsed. The two who figure in the report "suffered from heat stroke but survived".

Scientific evidence of the benefits of jogging is lacking, conclude the authors, while its reported complications increase. Triumphantly, they add jogger's heat stroke to the list of harmful effects on the legs, jogger's petechiae, penile frostbite and jogger's nipples.

From America, we hear that 11 per cent of the population claims to run at least one mile a day, two days a week. While James Fixx's The Complete Book of Running has been a best-seller for over a year, a parody, The Non-Runner's Book is the top-selling paperback in the United States, citing the wisdom of John Maynard Keynes: "In the long run we are all dead."

Scepticism about some of the extraordinary claims made for running is growing. Many of these claims are comparable to those made for meditation a few years back. Running is said to prolong life, make one calmer and more creative, and cure anything from heroin addiction to paranoid schizophrenia and impotence.

Americans first began running in a big way 10 years ago. Dr Kenneth Cooper elaborated on his findings that astronauts who regularly ran


Joggers jog on despite the petty squabbling

long distances reduced their chances of heart disease, and produced a scoring system whereby runners could measure the benefits derived from various levels of exercise.

Cooper's programme of three kilometres daily, three times a week, fell short of pushing the runner past feelings of tedium and pain into the "peak experience", said to occur about 30 to 40 minutes into a run. Many abandoned it through boredom.

In the quest for ecstasy, however, American doctors say some people are punishing themselves. Runners covering 80km or more a week reported a high rate of injuries (73 per cent) in a 1976 poll. There is a fear that long, hard running appeals to just the kind of personality whose ambition and competitiveness already make him a prime candidate for heart disease.

If the doctors don't agree, how can the untutored public make up its mind?

Regardless of the drawbacks, the runners continue to run, the joggers jog on, and the followers of the sport increase. Despite the petty squabbling about jogging, there is some medical concensus as to the positive benefits of regular, vigorous exercise. Besides reducing some of the risk factors of heart disease, it improves circulatory capacity and efficiency, and retards age-related deterioration in working ability. Someone who has been exercising regularly is likely to have a less severe heart attack, and survive it better, than one who is under-exercised, says a report in Modern Medicine of New Zealand.

The potential benefits of vigorous physical activity seem to outweigh the potential risks associated with inactivity.

If you are under 35 and are not known to be at risk from coronary disease, the doctors say, you can start running, or undertake any form of progressive exercise, with no special medical clearance. Over 35, you need a medical examination before any ma[jor] increase in physical acti[vity].

Exercising fairly strenuously three times a w[eek] for 20 minutes is said to [be] enough to provide s[ome] physiological benefit, w[hile] exercising harder, longer [and] more often, unsurprisingly will make you fitter still.

After years of sedent[ary] living, you mightn't be able [to] sustain strenuous activity [for] 20 minutes. You should start [at] a lower level of effort, for [about] half the time, [and] progressively increase [the] exercise over weeks or [even] months. "Train with[out] strain" is the object.

Endurance-type exercise involving the large mu[scle] groups, is of most benefit to [the] heart and lungs. It doe[sn't] have to be jogging — b[risk] walking, biking, swimm[ing] and rope-jumping will d[o as] well.

Games like squash, te[nnis] and soccer can help phys[ical] fitness. But skill varies, pl[ay] stops and starts, and t[he] exercise seldom lasts l[ong] enough to give maxi[mum] benefit to heart and lu[ngs]. Physical fitness and [en]durance are basic to th[ese] games: "Get in shape to p[lay] the game; don't play the g[ame] to get in shape," the doc[tors] say.

The pre-training warm-[up is] well known. But the[re is not] enough — afterwards y[ou need] to cool down as well f[or a few] minutes of bending, tw[isting] and stretching before a[nd] after, with some slow wa[lking] to finish, is recommend[ed]. Slow walking gets the c[ir]culation back to normal; the stretching exerc[ises] reduce injuries to te[ndons], muscles and li[gaments], particularly les[s fit] middle-aged ones.

The rules apply to both s[exes] and all ages. Those in t[heir] fifties, sixties, and older c[an] improve their fitness [with] regular vigorous exercise [and] can to some extent m[odify] some of the ageing process.

Don't be a weekend war[rior]. No exercise is better th[an a] frenzy once in a while [...] Americans who have form[ed a] "non jogging" soc[iety] dedicated to the joy[s of] inactivity — particularly t[he] "high" you get after si[tting] still for half an hour — [have] got something after all. [...] physical work in the wee[k] isn't enough to improv[e fit]ness, and isn't even lik[ely to] keep up your present le[vel of] fitness.

Thirty-two thous[and] Aucklanders who ran fo[r ...] can't be wrong, despi[te the] accusations of the anti-jo[gging] lobby, who say joggers [are] masochistic, make others [feel] guilty, and are liable [to] physical injury and poiso[ning] from traffic fumes. Jogg[ing is] a convenient and co[m]panionable way of fitting [an] exercise programme t[he] doctors say should be[come] part of one's lifestyle.

Modern Medicine sum[s up] the importance of re[gular] exercise in a quote from [Dr] Breslow, dean of the U[CLA] Graduate School of Pu[blic] Health: "It's what you [do] hour by hour, day by day, [that] largely determines the s[tate of] your health, whether you [get] sick, what you get sick w[ith] and perhaps when you [die]."

Car fleet buyers stick to traditional tactics

by Donn Anderson

COMPANIES and organisations running motor vehicle fleets are looking more to fuel usage rather than changing buying tactics in the wake of the New Zealand energy crisis.

That's the word from new car retailers who are struggling to keep up with demand. Sales are up more than 25 per cent for the opening quarter of this year and most new car franchises are crying out for stock.

It is not so much a hefty sales increase that has caused a low stock situation, but excessive retrenchment by most motor vehicle importers last year. The cutbacks had been prompted by too many unsold new cars only 12 months ago.

The downsizing in vehicle size had already taken place when the Government announced its energy problems. Sales tax changes penalising large-engined cars were largely responsible for the six and eight cylinder market plummeting from 40 per cent of total sales in 1973 to a mere 13 per cent five years later.

Ford dealers, who sell the lion's share of fleet business in New Zealand, say the fuel crisis hasn't affected company buying.

"We've just landed a shipment of Australian Fairlanes and Fairmonts and have had plenty of inquiries for these big, up-market models," said a prominent Auckland Ford dealer.

"The switch to four cylinder cars has already happened, but we are still selling six cylinder Falcons. People seem concerned about saving fuel but they are not altering their buying policies," said the Ford dealer.

At the same time there is still heavy demand for small cars. The same distributor is quoting October delivery for the Cortina 1600 compared with a four to six week delay on the bigger-engined Cortina 2000.

Ford dealers are bracing themselves for the arrival of the handsomely styled XD Falcon which was launched on


BEHIND-THE-WHEEL

the Australian market only a few weeks ago.

Since the new Falcon is 10 per cent smaller and claimed to be 10 per cent cheaper to run than its predecessor, Ford New Zealand doesn't see it as a bad time to launch the six and eight cylinder range.

"In fact it meets the Government's fuel-saving requirements perfectly," said Mr Joe Auton, managing director of Ford New Zealand, at the recent Melbourne launch of the car.

Dealers report increased interest in alternative fuels. Some new car franchises are fitting liquid petroleum gas units to vehicles from new at a cost of around $750.

Fifty vehicles run by the Winstone Group have been converted to LPG and the company is assessing the use of compressed natural gas. The Auckland Gas Company has converted 60 vehicles to CNG, and claims the switch from petrol to CNG saves fleet operators $1000 a vehicle a year at today's prices.

Nissan Motor Distributors, importers of Datsun and Nissan vehicles, reports an increasing demand for diesel-powered models. "Companies are looking seriously at buying diesel," said a company spokesman.

Nissan assembles the only diesel-engined car in New Zealand, the Datsun 220C. In May it plans to introduce a 2.2 litre diesel-engined utility that will cost about $1400 more than the petrol-engined equivalent.

"We've had substantial interest in the new diesel utility, particularly from farmers," says Nissan. Diesel is seen by many industry experts as a short term answer to the fuel problem but by the late 1980s will have difficulty meeting emission requirements.

One Japanese car franchise dealer said: "There is still a drift by companies away from 12, eight and six cylinder cars to up-specification four cylinder models."

Several companies have put their large cars under wraps until the fuel situation becomes clearer. "Ironically," said one dealer, "these cars are only likely to appreciate while they are out of use because the more expensive, luxury machines are rising faster in price than smaller engined equivalents."

Todd, distributors of Chrysler and Mitsubishi products, point out that most large fleets are programmed six to eight months ahead so that the recent energy announcement would not have had any effect at this stage.

Most motor assembly plants are working hard in an attempt to satisfy demand. "In


Small cars like this Mazda 323 are taking the biggest market share, but there is a limit to how far companies can downsize their vehicles.

view of the demand situation it is understandable that we haven't noticed any change in company buying trends," said one large dealership.

Franchises report, however, that an increasing number of companies are tending to run fleet cars to around 30,000 kilometres, rather than trading them in at half of this.

Wrightcars Toyota says customers are becoming more conscientious about fuel usage, and many are requesting independent tune-ups and inspections on the mechanical efficiency of their vehicles.

New models filtering onto the local market — like the XD Falcon and the XT Toyota Corona—are lighter than their predecessors, and some fleet users are showing an interest in these technicalities which they know will benefit fuel consumption.

Lighter, more energy-efficient models will become commonplace on the New Zealand market, and small cars under 1.5 litres in capacity may take an even larger chunk of sales during the next few years. Already this class takes close to half of the market compared with 30 per cent in 1973.

While there have been no changes in Government vehicle purchases, there is an increasing trend for bigger-engined cars to be fitted with automatic transmission, particularly within the Police Department.

Although this seems an anachronism in these fuel saving days (since automatics use at least 10 per cent more fuel than an equivalent manual transmission model), the cars give less trouble, particularly when driven by a large number of staff. So, while fuel costs are up, servicing bills come down.

On the overall scene, industry sources believe the large restructuring of car fleets has already taken place, and even if there is a massive petrol price hike they do not expect marked changes in buying patterns. There is, afterall, a limit to how much you can downsize.

Common sense approach to burglary insurance

by John Sloan

BURGLARY insurance traditionally has been on a "first loss" basis, where the businessman insures for the maximum that could be stolen at one time.

But estimating the maximum amount is difficult because of the nature of the contents; location of the premises; ease (or difficulty) of access; security precautions. And all of these are compounded by the increasing crime rate.

Many businessmen who have been literally "cleaned out" by burglars have learnt that their burglary insurance was for a limited amount — nowhere near the value of the stock stolen.

Some of the latest package business insurances have overcome the problem by insuring the risk of burglary for up to 50 per cent of the sum insured for fire.

The "Retailers policy" (from the New Zealand Insurance Group) and the "Tradesguard" (from the National Mutual Fire) adopt this system.

Because few shops would have more than half their stock burgled at once, the revised basis gives a more realistic cover.

A variation of this approach can be adopted for companies with multiple locations.

To solve the problem of nominating separate burglary sums insured at each location, it is possible to insure on a blanket basis subject to a maximum any one occurrence.

The creation of these "safety nets" is a trend in insuring large commercial risks.

Lawyers react to PSA group legal deal proposal

by Rae Mazengarb

MEMBERS of the legal profession have reacted sharply to indications that the PSA is seriously examining a scheme to provide a group legal service for its members.

One Auckland lawyer sniffed: "First, it's not in the best interest of the members of the society; secondly it would probably be economically impossible. In fact, it's a load of old nonsense."

Michael Hardie Boys, speaking as president of the Wellington District Law Society, argued there would be considerable practical difficulties in setting up a successful scheme.

But he suggested: "Let's sit down and talk about it rather than shoot barrages at one another."

PSA secretary W E B Tucker said members of the society had reacted enthusiastically to the news that a feasibility study was underway.

"It has generated a great deal of interest," Tucker commented.

Except for solicitors in private practice, reaction generally had been highly favourable, he said.

The PSA was well aware of certain practical, technical and legal problems to be solved before a suitable scheme could be adopted, said Tucker.

The idea had gained momentum, but a specific researched proposal had still to be brought forward.

Government lawyer Warwick Flaus has prepared a paper setting out arguments and proposals for cutting the bulk of legal costs to a large section of the public. His proposal — submitted last year to both the PSIS and PSA — was to establish "group legal service plans". As a model for the scheme he used the Public Service Investment Society.

By the time that paper came to the attention of National Business Review, the PSA had began a feasibility study.

Our article outlined some of Flaus' reasons for seeking alternatives to the private legal firm, but did not explore the merits or otherwise of the proposal.

Flaus' scheme envisaged the PSIS employing its own lawyers and support staff to work full time on its members' problems.

He elaborates in the article below. This week's feature also looks at other reactions.

by Warwick Flaus

CRITICISMS voiced by fellow lawyers regrettably indicate that they may have viewed my submissions as ill-researched, based on no discussion with my colleagues both here and in North America.

On the contrary, my proposals represent a studied attempt to meet the demands for those fundamental reforms in the provision of legal services to which the New Zealand public is entitled. It is a mistake to assume that an increasingly sophisticated public, concerned at its economic situation, is not becoming increasingly aware of the shortcomings of its legal services in their cost, availability and range.

The need for reforms in the current modes of legal practice are pressing and change is inevitable.

The criticisms fall into two categories: why the scheme I propose cannot be tried; and why it cannot succeed.

In the first category we encounter the major obstruction which the organised legal profession could raise in the face of any scheme which aimed to reduce the costs to the consumer of legal services.

Currently all lawyers are obliged to honour the fixed prices of the minimum fee schedule.

The legality of the fee schedule is ensured by the Commerce Act 1975. While a "collective pricing agreement" is treated as "contrary to the public interest" for the purposes of the Act, apparently it is no longer "contrary to the public interest" when it is established by the New Zealand Law Society.

The legal profession (along with a number of others) enjoys an exemption under section 27 of the Act.

It has always been my view that collective pricing agreements are indefensible in that they maintain prices at an artificially high level and shield inefficiencies in the provision of the services covered by them.

This overall view is supported by the economists of the New Zealand Planning Council in its most recent report Economic Strategy 1979 and by the United States Supreme Court in Goldfarb v Virginia State Bar (where the fee schedule in question was not even binding but only "habitually" observed by practitioners) which found such an agreement amongst lawyers to be anti-competitive and harmful to consumers.

The outlook for the minimum fee schedule should be bleak unless cogent arguments are assembled in its defence.

An opportunity arises, with the new Law Practitioners Act to be considered by the legislature this year, to abolish the scale of fees.

There is no sign that the initiative for doing this will come from the legal profession but there is every possibility that there will be pressure for abolition from both the public and the Government's economic advisers.

As in the United States, abolition of the fee schedule must be coupled with a lawyer's having the right to inform the public of the fees he commands for his services.

At present a lawyer is prevented from advertising by the Law Society. Modest reforms are under consideration within the profession but it will be some time before the extent and adequacy of these is known.

Critics are premature in attacking a scheme only in its tentative stages.

Even at this stage, however, I can say that the economic projections for the scheme are sound; that critics tend to misjudge the present satisfaction of the public with the prices they must pay; that they assume incorrectly and against all survey evidence and the experience of existing schemes outside New Zealand that only under compulsion will a person contribute to and use a group legal service plan for which he is eligible.

Critics are also mistaken in their assessment of the strictures which a lawyer employed in such a scheme would encounter upon his independent professional judgment.

In existing legal aid schemes the lawyer is paid by the Justice Department for services provided to individual clients. The situation under a legal service plan is no different.

Indeed a lawyer's effective independence may be strengthened through his release from the restrictions normally resulting from his client's limited ability to pay for his services — the "how much justice can you afford" syndrome — and be able to concentrate on the requirements of each individual case.

As for the availability of lawyers for such a scheme, critics seem ready to assume that all 3680 lawyers currently holding practising certificates are satisfied with the career opportunity open to them in a profession whose ranks are swelling annually and in which only 59.9 per cent practise as principals in private law firms.

The rest are salaried at a notoriously low rate.

Not the least significant is the shameful situation faced by highly competent women graduates whose proportionate rate of entry into the legal profession far exceeds that of men.

Of the 215 women currently in the profession only 14.4 per cent are principals in the law firms and there is little indication that a male-dominated profession is becoming any more receptive to them. At the moment a gain for the Government departments, the best of these women will become an even greater gain for a group legal service plan.

As for the number needed to staff a scheme for 180,000, Auckland lawyer Doug Graham says 500 — clear study indicates a need for no more than 90 qualified lawyers with full back-up facilities spread throughout the country.

This would entail each office averaging 6-8 qualified lawyers, a group no larger than manns a middle-sized private law firm in any town today.

Bureaucracy — where?

State-run — who said it?

'Client wants own counsel'

"A CLIENT wants his own trusted, independent counsel (not a "company" employee) to whom his most personal problems are confided", argues Doug Graham, an Auckland barrister and solicitor.

"A solicitor's impartiality must never be impaired; and when factions arise within the PSIS itself, it may be," he said in a statement released to NBR by a public relations agency.

"The PSIS would have to pay its in-house lawyers the ruling income rate — or more — to attract lawyers in the first place," Mr Graham suggested.

"To service 180,000 members the PSIS would need at least 500 practising solicitors. The cost of this number of lawyers would be prohibitive in itself.

"Solicitors cannot charge less than the scale fees under the existing legal code of ethics.

"To have a practising certificate from the law society you are bound by the code of ethics and cannot charge less than the scale fees to prevent "touting" for business.

"So the mere fact that a person belongs to the PSIS or the archery or Plunket Society does not entitle a solicitor to give "favoured" treatment whether paid by the PSIS or the client.

"I am also appalled that a state employee — Warwick Flaus of the Crown Law Office — is advocating further bureaucracy or another sort of compulsory 'where you must go' situation; because if it isn't compulsory that all 180,000 members use such a service, it is likely to become economic suicide."

Graham doubts there would be lawyers, "all of whom have been highly trained in most aspects of the law who would be prepared to become employees of an organisation where their work and mental processes, were so restricted".

"Hence it's all a load of nonsense."

According to Graham: "In 19 years of practice, no client has ever complained to me about a conveyancing fee."

Law Society: let's talk rather than fire barrages

"THE profession is well aware of the problem of increasing costs — it's no more and no less than the result of inflation and consequent soaring overheads", commented Michael Hardie Boys, president of the Wellington District Law Society.

"Whether a group legal scheme is an answer to this problem remains to be proved.

"I see considerable practical difficulties in setting up a scheme which can offer the same degree of service as the competent private practitioner; and at a true cost which is any less than his.

"I do not believe the traditional relationship between client and solicitor will ever become obsolete, but if it does the community will be the poorer."

Hardie Boys added that if the idea was to be pursued it should not be done in a confrontation-like manner: "Let's sit down and talk about it rather than shoot barrages at one another."

Reasons draw counters

Tauranga lawyer Michael Batchelor attacks the so-called compelling reasons, of the scheme.

"The scale fees which were raised were those relating to transfers, mortgages, leases, estates and company debentures," he said.

"Scale charges were in fact abolished in respect of company formations and numerous other matters. These are now a matter of time costing and subject to market competition.

"Some scale items remain for the protection of the disadvantaged party in many proceedings, for example, default notices and mortgagee's sale.

"To suggest that the legal profession has made no effort to economise and provide alternative means of delivering legal services is patently ridiculous. First of all, lawyers are not immune to the same economic pressures which affect any other business or professional people. The introduction of legal executives, computer accounting and word processing equipment to mention only a few obvious items have all enabled the profession to hold the scale from 1966 until the present time.

"It is conceded that inflation has assisted in this to some extent but the scale, being a reducing scale does not reflect inflation.

"It is a great over-simplification to suggest that a house purchased at $35,000 requires no more work than one at $22,500. In fact the cheaper purchase can often be cluttered up with all sorts of side issues which make it a more time-consuming task. In other words, each transaction must be looked at as an individual proposition.

"The conveyancing scale is really only a matter of averaging things out and trying to throw the greater burden on the people who can most afford to pay it.

See letter Page 25.

LETTERS

Adpersons plea for gossip

FOR some time now, I and my colleagues in the advertising business have been very disturbed at the declining size of your Admark section. When one considers that Australia supports two thick weeklies on this topic alone, the pathetic little space in your March 28 issue is an indictment of an otherwise extremely good paper.

Please can't you do something to give adpersons the good oil. We're losing track of the gossip!

David J Murphy
Managing Director
SSC & B: Lintas New Zealand

Defence of defence

THE only grounds for continuing the debate on policy towards EEC is the importance of the topic to our economic future, plus, perhaps, the fact that your headlining of my article (NBR March 26). "Defence of tradition . . . and a cry to innovate" conveys a very wrong impression of my views. I should like, therefore, to put down in as brief a compass as possible, a few essential points.

● At an early stage in negotiations we decided to seek special arrangements on only three products, butter, cheese and lamb; in contrast to the Australians who tried to fight for the last raisin and incurred considerable opprobrium accordingly. The three products chosen were, and still are key ones in the whole economy.

● There has been considerable diversification of both products and markets with dairy products but a hard core problem remains with butter.

● It is rather absurd to talk of finding new markets for butter when EEC surpluses of up to 380,000 tonnes overshadow world markets.

● There has been a 30 per cent diversification of lamb sales and this trend will continue but for some time yet we will be sending at least 50 per cent of exports to the EEC. In fact, given reasonable access, there are great market possibilities in Europe.

● It is nonsense to say that we should concentrate on the Asian-Pacific area. We will sell where people have high incomes and nowhere else; and this will apply even more to non-traditional products such as deer, kiwifruit and more fully processed farm products.

● The Middle East should offer possibilities but, in fact, this was largely Iran, the only oil country in the region with a large population and resources other than oil. The future of trade with Iran is still very clouded and likely to remain so for some time.

● The argument that if Government spends so much time on the EEC they will be less able to "discover new markets" is almost too trivial to comment on. A very high powered Government-led mission is heading for the Far East shortly. Producer board and other traders are on the go all the time trying to develop markets in all sorts of places which seem to offer prospects.

J V White
Wellington.

Douglas and Labour Party

COLIN JAMES'S analysis of Roger Douglas's influence on possible future Labour Party policy NBR March 21 raises questions which every New Zealander interested in the political future of our country must consider.

Douglas's proposal described by James as "A list of priority industries must be established (presumably by the Government) and new capital directed (by the Government if the banks will not cooperate) into those industries on a long-term basis etc." is a direct take from the Values Party's 1975 election manifesto. Those ideas were in that party's 1972 and 1978 manifestos in slightly different form.

Douglas's — Labour's superannuation scheme, killed by Rob Muldoon, would have taxed all earnings at a percentage in excess of all net savings. This would have placed the title to assets in a Government controlled board of directors. That was an indirect nationalisation of all savings. It would have resulted within a generation in the nationalisation of all productive assets, land as well as industries.

Arnold Nordmeyer would have soon been replaced with a Stalin of bureaucracy as head of the superannuation asset owning board. Stalins of so-called private enterprise conglomerates are exactly like political and bureaucratic Stalins. Historically, and in the new socialist dictatorships of the nations now becoming industrialised, Socialism-Communism in power has turned out to be the worst form of the capitalist evil of snowballing of power and wealth into the hands of the few.

Here is Lincoln's statement of the underlying problem in the broadest possible political and economic context:

"There has never been but one question in all civilisation, there is now only one question, and there never will be but one question in the future, and that is how to prevent a few men from saying to many men, you work and earn bread and we will eat it."

The fundamental problem is: "How can power and wealth be decentralised and still enable group action when the size of a task requires more than individual initiative?" This is the basic question with which the Values Party has been struggling since its birth. Its proposed solution of co-operative decentralisation sounds fine in words. However, how does one require people to cooperate?

One aspect of human history is tribal warfare, now translated into the rivalry of the United States and the USSR, complicated by the budding wars in Africa and South-east Asia and such things as Islamic fundamentalism in Iran.

John R Parkin
Taupo

Birch takes price advice

We would like to congratulate the Minister of Energy, Mr Birch, for reading our press statement of March 20 and following its advice by announcing on TV1 that the price of petrol be allowed to rise while New Zealanders develop from their own natural resources alternative energy forms.

The remedies offered so far by the Minister were bound to be ineffective. Carless days can only reduce seven days' petrol shopping to five, and petrol rationing has never worked in any country in peace time.

We would be pleased to hear at Box 52, Silverdale, from those interested in the survival of free enterprise in New Zealand, and invite those who do not wish to belong to an association to push for economic realism individually by writing to their newspapers and MPs.

M J Sampson
General secretary
Association for the Survival of Enterprise in New Zealand

Spending tax reform

YOUR March 21 issue includes an interesting article by your Economics Correspondent on tax reform. The article correctly suggests that I would like serious consideration to be given to the introduction of a flat rate of income tax at, say, 22½ per cent on all income (including fringe benefits now exempt from tax).

The article is incorrect, however, in suggesting that I do not advocate an expenditure tax. On the contrary: in a recent speech to the Wellington-Wairarapa branch of the Society of Accountants, I advocated a direct expenditure tax on all personal expenditure above $10,000 per annum. Such a tax would provide a strong incentive to save; would offset the regressive implications of a flat rate income tax; and, because it would be limited to a small proportion of taxpayers, would be a relatively easy tax to introduce.

The combined effect of a flat-rate income tax and an expenditure tax on higher levels of expenditure would provide considerable incentives to work and save; would reduce the temptation to evade and avoid tax; and would reduce the pressures created by the present income tax structure for economically unsustainable increases in pre-tax wages and salaries.

Donald T Brash,
General Manager,
Broadbank.

Electricity pricing

YOUR correspondent, J D C Laing, may have convinced himself that the 60 per cent increase in the bulk tariff cost of electricity was a rational move by the Government, but I do not share his opinion.

Prior to the general election, and after the election, the Government stated that the increase in the bulk tariff would be 5 per cent from April 1, 1978. This increase was sufficient to cover all costs — working costs, interest, provision for loan repayment and a margin for contingencies. The surplus for the year ended March 31, 1978 was $62.64 million.

For many weeks prior to February 14 officials of 61 supply authorities had worked on a revised tariff incorporating the 5 per cent increase, and these tariffs had to be approved by elected members. It also had to be approved by a Government committee — Big Brother knows better than supply authorities what constitutes a fair tariff — and, on directions from that committee, many of the tariffs were reduced by a fraction of 1 per cent. It is an insult to our credibility to believe that senior civil servants would be cynical enough to allow this huge waste of man hours if they knew that the Government had a settled "grand design" to increase the tariff by 60 per cent.

It was patently obvious that the sudden increase was the brain child of the Prime Minister, simply to collect more revenue.

Over 50 per cent of electricity produced is used for non-domestic purposes. It is a cost of production and affects particularly the primary producer and the manufacturer. It also increases the cost of living so will be an important factor taken into consideration in future wage negotiations. At a time when every endeavour should be made to halt inflation and reduce costs, particularly the cost of our exports, this decision reverses the process.

In a belated excuse for his action, the Prime Minister stated that the Government had inside information that the Shah of Iran would be deposed. This statement was made at a time when our lake storage is better than it has been for years, and only a nominal amount of oil is being used to generate electricity. His explanation is very much at variance with Mr Laing's, and makes no mention of any grand design.

D J Boswell,
Wanganui.

Importance of earnest

SPIRO Zavos in his article "Australian politicians play Russian roulette" in your issue of March 26 unfortunately demonstrates his ignorance. Lady Bracknell certainly did not say anything about losing a handbag twice. She referred to losing one parent, which she regarded as a misfortune, and then said, "To lose both looks like carelessness".

Lady Bracknell had also something to say about ignorance. I would suggest that Mr Zavos reads "The Importance of Being Earnest", Act 1, to find out what she actually said.

Christopher G Pottinger
Wellington

Bicycle extras plea

CONGRATULATIONS on the informative and very timely article on import licensing of bicycles and components in NBR March 26. As a fairly long time committed cyclist I can only add a plea from the heart. Would it be unreasonable, if, in exchange for all my efforts at earning foreign exchange in the agrarian sector, I was allowed to buy a good quality bicycle carrier, a durable dynamo and light set and other assorted accessories that would allow me to use my bicycle as a substitute for a car with a little more convenience and safety than is possible at the moment? Or am I always to remain the poor and contemptible relative of noisy, destructive, gas-guzzling motorists?

Denis Hocking,
Rangitoto

Lawyer hits back

THE peals of derisive laughter caused by Rae Mazengarb's article on PSA aims to revolutionise the legal profession will no doubt be heard by you long before this letter arrives.

As is usually the case with articles dealing with the legal profession, your reporter had displayed a biased and prejudiced attitude. Before dealing with the "compelling reasons" stated in the article allow me to make a couple of general points.

Firstly, if the standard of legal draftmanship represented by the legislation emanating from Parliament over the last few years accurately reflects the legal training and ability of your reporter's sources and the kind of service which they envisage, the legal profession has nothing to fear.

Secondly, the legal profession as at present organised is one of the few remaining bastions of individual and personal freedom remaining in this country. The drift towards totalitarianism has become a tide and if the strength and independence of the legal profession is undermined then the service which it renders to the community in this field and in many other ways, totally without reward, will cease.

It is only on television that lawyers can spend their whole time fighting for the under-privileged and the victims of injustice. Without exception, all lawyers spend some of their time doing this but it is a singularly uneconomic exercise.

Now to the so-called "compelling reasons".

The scale fees which were raised were those relating to transfers, mortgages, leases, estates and company debentures. Scale charges were in fact abolished in respect of company formations and numerous other matters. These are now a matter of time costing and subject to market competition. Some scale items remain for the protection of the disadvantaged party in many proceedings, e.g. default notices and mortagee's sale.

To suggest that the legal profession has made no effort to economise and provide alternative means of delivering legal services is patently ridiculous. First of all, lawyers are not immune to the same economic pressures which affect any other business or professional people. The introduction of legal executives, computer accounting and word processing equipment to mention only a few obvious items have all enabled the profession to hold the scale from 1966 until the present time.

It is conceded that inflation has assisted in this to some extent but the scale, being a reducing scale does not reflect inflation. Other economies which are of direct benefit to the low-income groups and under-privileged members of the society are neighbourhood law offices and the active participation of lawyers in the citizens' aid bureaus, duty solicitor scheme and so on.

It is a great over-simplication to suggest that a house purchased at $35,000 requires no more work than one at $22,500. In fact the cheaper purchase can often be cluttered up with all sorts of side issues which make it a more time-consuming task. In other words, each transaction must be looked at as an individual proposition.

The conveyancing scale is really only a matter of averaging things out and trying to throw the greater burden on the people who can most afford to pay it.

One does not know what experience Mr Flaus may have had in the practicalities of conveyancing but with all of the bureaucratic complications that exist today it is inconceivable that any state agency could possibly cope with them on the usual 8.30 to 4.30 basis. The whole system would simply grind to a halt. The alternative would be to employ vast numbers of new public servants and in no time at all the public using the system would be paying more than they already pay.

Mr Flaus' views on "preventative law" are interesting but, in fact, merely a fancy name for the advice which lawyers already give to their clients.

As to the calibre of lawyers "who would be attracted to such a scheme", one must ask why lawyers of high calibre are likely to be attracted. Only because of the financial rewards available. There are very few lawyers of high calibre, i e, earning power, who are prepared to leave private practice and join Government departments or any kind of group legal service.

The suggested expansion of group legal service into fields of personal counselling, welfare and matrimonial problems overlooks that this is what lawyers spend a good deal of their time doing already. Mr Flaus is merely endeavouring to invent another field for increasing the PSA membership.

It is to be hoped that your reporter will now make an effort to investigate and present the other side of the coin.

M D M Batchelor LL B 1957.
Tauranga.

Rae Mazengarb BA LLB is an inappropriate target, surely, for the legal profession's peals of derisive laughter. Should she really be accused of bias and prejudice merely for publicly revealing what previously had been under discussion behind PSA closed doors, and for reporting what the PSA (not Mazengarb) considers to be the "compelling reasons" in support of its proposals? We would have thought that the lawyers would rather see the validity or otherwise of the PSA's criticisms and reformist ideas tested through a frank and vigorous open dialogue and debate, rather than find they had been quietly put into effect without the benefit of whatever observations the legal profession might make. Or would our correspondent prefer to continue practising in blissful ignorance of the fact that the conventional wisdom is under challenge and that new concepts may be implemented (and be found more attractive to the public)? — Editor.

HMA releases monopoly grip on honey exports

by Warren Berryman

THE Honey Marketing Authority has relinquished its monopoly on the exportation of liquid honey.

Private individuals this year will be allowed to export up to 150 tonnes of bulk honey, provided they do not undercut the HMA's base price.

This liberalisation reflects a significant shift in the balance of power on the five-man board controlling the HMA. It also marks the ascendancy of Percy Berry, New Zealand's biggest honey producer, free marketeer, export award winner, and critic of the HMA.

Berry once was prosecuted by the authority for exporting outside its monopoly control. Now he is its chairman.

Berry had fought the HMA's export monopoly, particularly its sole agency agreement with a British buyer, since 1963.

Now he has won.

He and two other board members are large producer packers with a keen interest in exporting in their own right.

None of these three has been a major supplier to, or supporter of the HMA.

Opposing Berry's triumvirate and representing the views of the HMA's traditional suppliers is Ivan Dickinson, present board member and past chairman.

The fifth board member is the Government appointee.

The path to liberalisation of the honey market promises to be anything but smooth.

Berry's opponents — the HMA's loyal suppliers — fear the new regime will wreck the orderly marketing process and lower prices, and hand the export market over to large honey packers.

Already the industry of some 200 beekeepers has factionalised into separate interest groups each pushing

PRIMARY INDUSTRY

SINCE the Planning Council's call for a "more market approach", some restrictive trade practices of the producer boards have come under fire.

Almost unnoticed, one of the smallest boards — the Honey Marketing Authority — is moving towards a free market.

The result has been a fragmentation of this tiny industry and a bout of hard political infighting.

their separate barrow to the Government's door by lobbying Agriculture Minister McIntyre.

The National Beekeepers Association covers the industry as a whole. Berry was president, but has relinquished the position to Mike Stuckey, now his deputy chairman on the HMA.

Shortly after Berry's election to the HMA's chair, a Honey Suppliers Association was set up to safeguard the interests of the HMA's traditional suppliers, many of whom cannot pack their own honey.

The Packers Association represents the large producer packers.

Queen bee sellers have a Queen Bee Association.

And there is the Honey Dew Association. Honey dew is honey derived from bees which gather an excretion from an insect living on tree bark. The product is not strictly defined as honey, but is fetching good export returns in Germany.

Then there is the HMA. Established along lines similar to the Apple and Pear Board, it had a monopoly on the export of liquid honey, and sells on the domestic market in direct competition to apiarists who packed their own honey for sale.

Local producers could either supply the HMA or sell their own production. The producer was not obliged to supply the HMA, but the authority was obliged to take all local honey production offered.

Local producers were allowed to export honey in the comb — but not liquid honey.

DUNCAN McINTYRE... beekeepers push separate barrows to Minister's door.

UK firm loses sole agency

THE HMA exported almost all of its honey, until recently, through a sole agent, Kempton of the United Kingdom. Kempton bought the honey in bulk and blended the high quality New Zealand honey with lower grade honey.

The product sold to the foreign consumer was unrecognisable as New Zealand honey.

Foreign buyers interested in importing and marketing New Zealand honey in its many exotic and distinctive flavours were discouraged by the HMA. If these interested buyers got any answer at all from the authority, it was usually, "go and see our sole agent".

Till recently the HMA had little interest in export. Export honey was just the skim-off from the domestic market.

Stories are legend about foreigners visiting New Zealand and after sampling assorted honey — rewarewa, manuka, clover — asking the HMA about supplies.

One interested foreign buyer was willing to pay up to the New Zealand domestic retail price on an FOB basis for the distinctive honey to be sold in the United States. It took him three months to get a terse aerogram reply: The HMA was not interested.

Percy Berry was first elected to the HMA board in 1963. The main plank in his election platform was to get rid of Kempton's sole agency agreement.

Berry argued that the HMA was selling large quantities of honey on the local market at low prices when shortages in Europe had boosted export prices by 50 per cent.

Berry's election campaign literature argued that "the Authority has grossly overloaded and substantially depressed the local market with Honeygold pack and left the best market that has ever been available to us completely bare of our product. In my opinion this situation adds up to unpardonable bungling at very heavy cost to our beekeepers."

Berry won the 1963 election but lost the war against Kempton. As Berry puts it: "Kempton came out to New Zealand and talked the beekeepers out of my motion, and they put me out to graze again."

Berry had another crack at the sole agency agreement some three years ago. This time he pointed out that Kempton held the majority shareholding in a major packing and marketing company centred in Britain.

"Monopoly selling tends to create monopoly buying," Berry claimed.

He also said the HMA was forcing beekeepers to abandon the industry because of their low prices for honey.

Prices were low, he said "because the economic channels for export have been blockaded — blockaded by the HMA which retains to itself the sole right to export for other than comb honey."

Berry pointed out that exports of comb honey which were free from HMA control were the progressive sector of the industry.

In 1971 a Government caucus committee examined the honey industry. It recommended that private producers should be allowed to export liquid honey as well as comb honey and that the HMA's power to approve exports should be limited to its own exports.

The National Beekeepers Conference voted three to one against the Government's recommendations.

But the HMA began to take a more active interest in exports. In 1973 the Japanese market opened to New Zealand honey.

Kempton extended its operation to California in 1975 acquiring an interest in Sunland honey.

But Kempton lost the sole agency in 1976. The HMA began to shop around for competing buyers, taking a more aggressive stance on the export front.

Traditional suppliers fight large honey packers

by Warren Berryman

THE HMA has remained under the control of its major suppliers. It pays the highest prices to South Island producers of white honey and tends to downgrade North Island honey.

The makeup of the HMA board reflected its supply — South Island based.

Percy Berry's re-election to the HMA board in 1975 was when the infighting began between the traditional suppliers and the free marketeers.

Berry was joined on the board by another free marketeer, splitting the board into two suppliers versus two honey packers. The Government appointee held the deciding vote.

During this 1977-8 period the Government appointee was in virtual control of the HMA, taking his directions from the Minister and voting in favour of the status quo.

Then a further honey packer joined the board, Berry became chairman and the balance of power tipped in favour of a free market.

This shift reflects a change in the HMA's voting system as much as it reflects a change of heart among honey producers. Before 1975 votes were weighted in accordance with the amount of honey supplied by a voter to the HMA. This gave an advantage to traditional suppliers.

In 1975 the rules were changed to weight votes according to the number of hives owned by the voter. This favoured the large packers, — many of whom had never supplied the HMA.

Berry was put in a strong position. His 35-year-old family firm, Arataki Honey Ltd, with 14,000 hives is New Zealand's largest honey producers and one of the largest in the world.

Berry is backed on the HMA board by the second and third largest honey packers in this country.

Traditional suppliers, fearing the growing power of the large honey packers, are now urging Government to have the HMA's electoral rules changed. Suggestions include adding a further member to the HMA board, or putting a lower ceiling on the number of votes available to any one voter.

This matter will be brought up at the July beekeepers conference. But as opposition board member Ivan Dickinson puts it, "how are we going to vote against a voting system, by voting in a voting system that we allege to be crook?"

Ironically it is Berry's export successes that stand him in the worst stead with his opponents. Berry has been active in developing new markets for New Zealand honey in the Middle East.

He has done this on his own company's behalf and more recently on behalf of the HMA. He recently concluded an export deal with Iran for the HMA.

The HMA delivered, and was paid for its initial honey shipment. But the Iranian revolution blighted the rest of the order.

Dickinson fears for the small beekeeper who, he said, was dependent on the HMA to take and market all his crop. "To do this the HMA must have sufficient throughput to remain viable", he said.

"The present board is opening the field to private exporters. The packers will export their top grade honey and honey bought from other producers and effect the HMA's throughput. I can see the time when the HMA will be getting only the low grade honey no one is willing to market."

Dickinson said the high export prices for New Zealand honey were due to the single selling authority of the HMA.

"Few packers have the exporting expertise of the HMA. A proliferation of sellers will not keep the prices up."

"The minimum export prices set by the HMA will become the maximum price", he warned.

Regarding Berry's export ventures and the development of new markets, Dickinson said; "I don't think we should go for speculative markets like Iran and the Middle East. The authority is handling trust money (the producer's money). We shouldn't be taking these risks. Why jeopardise old markets for speculative new ones?"

The point in question is whether the HMA should remain a producers body or become a marketing organisation.

Berry has some sharp words for the Government's past dominance of the HMA which, he said, had the effect of blocking export opportunities.

"Domination of our marketing or even involvement in our marketing by a production ministry is not sensible...so long as the Government representative on the HMA is required to have particular regard for the interests of the consumer, in spite of the fact that those interests are properly provided for in another department of Government, then his office can be nothing but that of a cuckoo in the producers nest.

"Over the years it has proved to be just that."

Dickinson said the main concern of the HMA's suppliers was Berry's role in marketing for the authority. He said he had seen nothing unethical in this, but claimed it was causing suppliers to lose confidence in the HMA.

Dickinson's claim was echoed by HMA general manager Curtis Wicht: "The suppliers feel the board doesn't represent them — that the board has pecuniary interests contrary to their own."

Wicht said there was no evidence to back these claims — in fact Berry had been falling over backwards in an attempt to be fair, devoting much of his own time to boosting the HMA's exports.

Berry is now urging Government to provide the HMA with a larger overdraft facility from the Reserve Bank to finance exports and relieve the HMA's cash flow.

Honey exports for the 1978 year amounted to about \$900,000. Cash flow problems arise during the period between the intake of the honey and receipt of the money from overseas buyers.

Berry said he would like to see an overdraft facility of up to 75 per cent of the FOB value of stocks held — up to \$3 million.

PERCY BERRY....path to liberalisation of honey market promises to be anything but smooth.